

Timbercreek Financial Announces 2023 Third Quarter Results

Toronto Stock Exchange: TF

TORONTO, November 1, 2023 - Timbercreek Financial (TSX: TF) (the "Company") announced today its financial results for the three and nine months ended September 30, 2023 ("Q3 2023").

Q3 2023 Highlights¹

- Q3 2023 results were highlighted by continued strong interest income. Quarterly net investment income was \$30.3 million up from \$30.0 million Q3 2022.
- Net income and comprehensive income of \$16.5 million, up from \$13.5 million in the same period last year. Basic and diluted earnings per share for Q3 2023 were \$0.20 and \$0.19 (Q3 2022 – \$0.16 and \$0.16).
- Delivered distributable income and adjusted distributable income of \$16.8 million, or \$0.20 per share (Q3 2022 – \$16.8 million, \$0.20 per share) representing a payout ratio of 85.6% on both distributable income and adjusted distributable income.
- Declared \$14.4 million, or \$0.17 per share in dividends to shareholders, reflecting a payout ratio of 87.4% (Q3 2022 – 107.2%) on earnings per share.
- Net new mortgage advances were \$58.2 million and advances on existing mortgages were \$17.5 million, offset by net mortgage repayments of \$61.9 million and net syndications of \$4.5 million. Mortgage repayment activity was low in the quarter due to continued slowness in the overall commercial real estate market, portfolio turnover decreased to 6.0%, compared with 11.6% in Q2 2023.
- At the end of the period, net mortgage investments were \$1,068.6 million (versus \$1,255.4 million at Q3 2022) bearing a weighted-average interest rate of 9.9% (versus 8.5% at Q3 2022 and 9.8% at Q2 2023) and a weighted-average LTV of 67.0% (versus 69.4% at Q3 2022 and 68.3% at Q2 2023). The Company also had net real estate inventory of \$92.5 million at Q3 2023, versus \$30.1 million at Q3 2022.
- Shareholders' equity of \$702.7 million at quarter end (book value per share of \$8.43).
- The Company made material progress on the resolution of Stage 3 assets:
 - A portfolio of seven Stage 3 loans totaling \$146.1 million received an offer for purchase, set to close in Q4 2023. The proceeds from the sale and ultimate take-out of the mortgages are anticipated to fully cover principal and interest; and
 - The Company and its syndicate partners successfully credit bid three collateral assets for which the associated mortgage investment was in Stage 3. The Company is in active management of the property and is currently negotiating with a potential third-party purchaser.
- The Company continues to closely manage its other Stage 3 and Stage 2 loans and expects to make significant progress over the remainder of the year. The investment team, which is experienced in navigating these situations and utilizing various approaches to achieve resolution, continues to anticipate repayment of principal outstanding as the asset sale processes are completed.
- Maintained conservative portfolio risk composition focused on income-producing commercial real estate:
 - 67.0% weighted average loan-to-value;
 - 92.2% first mortgages in mortgage investment portfolio; and
 - 86.5% of mortgage investment portfolio is invested in cash-flowing properties.

"The portfolio continued to generate strong interest income in the third quarter, allowing us to report year-over-year earnings per share growth, distributable income of \$0.20 per share and declare dividends of \$0.17 per share," said Blair Tamblyn, CEO of Timbercreek Financial. "At the same time, the team made excellent progress toward the repayment of several loans where the borrowers experienced challenges from the rapid rise in interest rates and general economic weakness. This is a cyclical and occasional reality of our market segment, and one

1. Refer to non-IFRS measures section below for net mortgages, enhanced return portfolio investments, adjusted net income and comprehensive income, distributable income and adjusted distributable income.

that our team has demonstrated for over 15 years that it has the expertise to actively manage to ensure the best outcomes for our shareholders. We anticipate repayment of our principal on the Stage 2 and 3 loans we have provided updates on today, with a sizable portion to be resolved in the near term. As the interest rate outlook stabilizes, we expect to see increased commercial real estate activity, driving higher transaction volume within our portfolio.”

Quarterly Comparison

<i>\$ millions</i>	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>Q2 2023</u>
Net Mortgage Investments ¹	\$ 1,068.6	\$ 1,255.4	\$ 1,123.7
Enhanced Return Portfolio Investments ¹	\$ 59.3	\$ 71.2	\$ 58.7
Real Estate Inventory, net of collateral liability	\$ 92.5	\$ 30.1	\$ 30.3
Net Investment Income	\$ 30.3	\$ 30.0	\$ 31.5
Income from Operations	\$ 26.1	\$ 22.6	\$ 26.3
Net Income and comprehensive Income	\$ 16.5	\$ 13.5	\$ 16.9
--Adjusted Net Income and comprehensive Income	\$ 16.4	\$ 13.9	\$ 17.0
Distributable and adjusted distributable income ^{1,2}	\$ 16.8	\$ 16.8	\$ 17.8
Dividends declared to Shareholders	\$ 14.4	\$ 14.5	\$ 14.4
<i>\$ per share</i>	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>Q2 2023</u>
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.17
Distributable and adjusted distributable income per share ^{1,2}	\$ 0.20	\$ 0.20	\$ 0.21
Earnings per share	\$ 0.20	\$ 0.16	\$ 0.20
--Adjusted Earnings per share	\$ 0.20	\$ 0.17	\$ 0.20
Payout Ratio on Distributable and adjusted distributable Income ^{1,2}	85.6 %	86.2 %	81.1 %
Payout Ratio on Earnings per share	87.4 %	107.2 %	85.5 %
--Payout Ratio on Adjusted Earnings per share	87.7 %	104.3 %	85.1 %
<i>Net Mortgage Investments</i>	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>Q2 2023</u>
Weighted Average Loan-to-Value	67.0 %	69.4 %	68.3 %
Weighted Average Remaining Term to Maturity	0.7 yr	0.9 yr	0.8 yr
First Mortgages	92.2 %	90.9 %	91.4 %
Cash-Flowing Properties	86.5 %	89.3 %	87.7 %
Multi-family residential	58.2 %	55.4 %	50.1 %
Floating Rate Loans with rate floors (at quarter end)	87.5 %	87.3 %	88.3 %
Weighted Average Interest Rate			
For the quarter ended	9.9 %	8.5 %	9.8 %
Weighted Average Lender Fee			
New and Renewed	0.7 %	0.7 %	1.1 %
New Net Mortgage Investment Only	1.0 %	1.2 %	1.2 %

1. Refer to non-IFRS measures section below for net mortgages, enhanced return portfolio investments, adjusted net income and comprehensive income, distributable income and adjusted distributable income.
2. There are no adjustments for the periods presented.

Quarterly Conference Call

Interested parties are invited to participate in a conference call with management on Thursday, November 2, 2023 at 1:00 p.m. (ET) which will be followed by a question and answer period with analysts.

To join the Zoom Webinar:

If you are a Guest please click the link below to join:

<https://us02web.zoom.us/j/89745098326?pwd=alRrelVNS05PdDVZVDYyTnZUc21JQT09>

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Speakers will receive a separate link to the Webinar

The playback of the conference call will also be available on www.timbercreekfinancial.com following the call.

About the Company

Timbercreek Financial is a leading non-bank, commercial real estate lender providing shorter-duration, structured financing solutions to commercial real estate professionals. Our sophisticated, service-oriented approach allows us to meet the needs of borrowers, including faster execution and more flexible terms that are not typically provided by Canadian financial institutions. By employing thorough underwriting, active management and strong governance, we are able to meet these needs while generating strong risk-adjusted yields for investors. Further information is available on our website, www.timbercreekfinancial.com.

Non-IFRS Measures

The Company prepares and releases financial statements in accordance with IFRS. As a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described in Management's Discussion and Analysis ("MD&A") available on SEDAR+. Certain non-IFRS measures relating to net mortgages, adjusted net income and comprehensive income and adjusted distributable income have been shown below. The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of the Company's ability to earn and distribute cash dividends to shareholders and to evaluate its performance. The following non-IFRS financial measures should not be construed as alternatives to total net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS as indicators of the Company's performance.

Certain statements contained in this news release may contain projections and "forward looking statements" within the meaning of that phrase under Canadian securities laws. When used in this news release, the words "may", "would", "should", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "objective" and similar expressions may be used to identify forward looking statements. By their nature, forward looking statements reflect the Company's current views, beliefs, assumptions and intentions and are subject to certain risks and uncertainties, known and unknown, including, without limitation, those risks disclosed in the Company's public filings. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by these forward looking statements. The Company does not intend to nor assumes any obligation to update these forward looking statements whether as a result of new information, plans, events or otherwise, unless required by law.

Net Mortgage Investments

(In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted)

The Company's exposure to the financial returns is related to the net mortgage investments as mortgage syndication liabilities are non-recourse mortgages with periodic variance having no impact on Company's financial performance. Reconciliation of gross and net mortgage investments balance is as follows:

Net Mortgage Investments	September 30, 2023	December 31, 2022
Mortgage investments, excluding mortgage syndications	\$ 1,071,397	\$ 1,189,215
Mortgage syndications	576,373	611,291
Mortgage investments, including mortgage syndications	1,647,770	1,800,506
Mortgage syndication liabilities	(576,373)	(611,291)
	1,071,397	1,189,215
Interest receivable	(17,907)	(10,812)
Unamortized lender fees	4,882	6,801
Allowance for mortgage investments loss	10,234	10,605
Net mortgage investments	\$ 1,068,606	\$ 1,195,809

Enhanced return portfolio

As at	September 30, 2023	December 31, 2022
Other loan investments, net of allowance for credit loss	\$ 46,951	\$ 59,956
Finance lease receivable, measured at amortized cost	6,020	6,020
Investment, measured at FVTPL	4,087	4,744
Joint venture investment in indirect real estate development	2,225	2,225
Total Enhanced Return Portfolio	\$ 59,283	\$ 72,945

Real Estate Inventory, net of collateral liability

As at	September 30, 2023	December 31, 2022
Real Estate Inventory	\$ 161,475	\$ 30,245
Real Estate Inventory Collateral Liability	(69,025)	—
Real Estate Inventory, net of collateral liability	\$ 92,450	\$ 30,245

NET INCOME AND COMPREHENSIVE INCOME	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
Net investment income on financial assets measured at amortized cost	\$30,303	\$29,982	\$ 94,483	\$ 78,461	\$ 109,803
Fair value gain and other income on financial assets measured at FVTPL	231	403	819	652	1,388
Net rental (loss) income	(270)	(291)	(922)	127	(151)
Fair value gain (loss) on real estate properties	—	—	63	(378)	(296)
Expenses	(4,115)	(7,530)	(13,697)	(15,921)	(22,592)
Income from operations	\$26,149	\$22,564	\$ 80,746	\$ 62,941	\$ 88,152
Financing costs:					
Financing cost on credit facility	(7,444)	(6,788)	(22,550)	(15,097)	(23,234)
Financing cost on convertible debentures	(2,250)	(2,256)	(6,749)	(6,762)	(9,022)
Net income and comprehensive income	\$16,455	\$ 13,520	\$ 51,447	\$ 41,082	\$ 55,896
Payout ratio on earnings per share	87.4 %	107.2 %	84.1 %	105.3 %	103.3 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME					
Net income and comprehensive income	\$16,455	\$13,520	\$ 51,447	\$ 41,082	\$ 55,896
Add: Net unrealized loss (gain) on financial assets measured at FVTPL	(61)	369	(50)	1,691	1,546
Add: Net unrealized loss on real estate properties	—	—	—	95	95
Adjusted net income and comprehensive income¹	\$16,394	\$13,889	\$ 51,397	\$ 42,868	\$ 57,537
Payout ratio on adjusted earnings per share ¹	87.7 %	104.3 %	84.2 %	100.9 %	100.3 %
PER SHARE INFORMATION					
Dividends declared to shareholders	\$14,378	\$14,491	\$ 43,263	\$ 43,241	\$ 57,721
Weighted average common shares (in thousands)	83,347	84,005	83,621	83,505	83,622
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.52	\$ 0.52	\$ 0.69
Earnings per share (basic)	\$ 0.20	\$ 0.16	\$ 0.62	\$ 0.49	\$ 0.67
Earnings per share (diluted)	\$ 0.19	\$ 0.16	\$ 0.60	\$ 0.49	\$ 0.67
Adjusted earnings per share (basic) ¹	\$ 0.20	\$ 0.17	\$ 0.61	\$ 0.51	\$ 0.69
Adjusted earnings per share (diluted) ¹	\$ 0.19	\$ 0.17	\$ 0.60	\$ 0.51	\$ 0.69

1. Refer to non-IFRS measures section.

OPERATING RESULTS¹

(In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted)

DISTRIBUTABLE INCOME	Three months ended September 30,		Nine months ended September 30,		Year ended December
	2023	2022	2023	2022	2022
Adjusted net income and comprehensive income ¹	\$ 16,394	\$ 13,889	\$ 51,397	\$ 42,868	\$ 57,537
Less: Amortization of lender fees	(1,747)	(2,425)	(6,393)	(6,978)	(8,726)
Add: Lender fees received and receivable	1,053	1,076	4,434	5,652	7,708
Add: Amortization of financing costs, credit facility	129	253	554	722	984
Add: Amortization of financing costs, convertible debentures	243	250	729	753	1,006
Add: Accretion expense, convertible debentures	113	113	340	340	454
Add: Unrealized fair value gain on DSU	(86)	(78)	(59)	(168)	(201)
Add: Allowance for expected credit loss	692	3,732	1,867	4,682	7,482
Distributable income and adjusted distributable income^{1, 2}	\$ 16,791	\$ 16,810	\$ 52,869	\$ 47,871	\$ 66,244
Payout ratio on distributable income and adjusted distributable income ^{1, 2}	85.6%	86.2%	81.8%	90.3%	87.1%
PER SHARE INFORMATION					
Dividends declared to shareholders	\$ 14,378	\$ 14,491	\$ 43,263	\$ 43,241	\$ 57,721
Weighted average common shares (in thousands)	83,347	84,005	83,621	83,505	83,622
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.52	\$ 0.52	\$ 0.69
Distributable and adjusted distributable income per share ¹	\$ 0.20	\$ 0.20	\$ 0.63	\$ 0.57	\$ 0.79

1. Refer to non-IFRS measures section.

2. There are no adjustments for the periods presented.

SOURCE: Timbercreek Financial

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