

Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the three months ended March 31, 2025 and 2024



TIMBERCREEK
FINANCIAL

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

The terms, the "Company", "we", "us" and "our" in the following Management Discussion & Analysis ("MD&A") refer to Timbercreek Financial Corp. (the "Company" or "Timbercreek Financial"). This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like "believe", "expects", "anticipates", "would", "will", "intends", "projected", "in our opinion" and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by Timbercreek Capital Inc. ("Manager"), a subsidiary to Timbercreek Asset Management Inc. ("TAMI"), (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages and other investments of a quality that will generate returns that meet and/or exceed the Company's targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in, geopolitical uncertainty, and the risks detailed from time to time in the Company's public disclosures. For more information on risks, please refer to the "Risks and Uncertainties" section in this MD&A, and the "Risk Factors" section of our Annual Information Form ("AIF"), which can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR+") website at www.sedarplus.ca

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Company and the Manager do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

This MD&A is dated May 5, 2025. Disclosures contained in this MD&A are current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Company's website at www.timbercreekfinancial.com. Additional information about the Company, including its AIF, can be found at www.sedarplus.ca.

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three months ended March 31, 2025 and 2024. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2025 and 2024, and the audited consolidated financial statements for the years ended December 31, 2024 and 2023, which are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

The functional and reporting currency of the Company is Canadian dollars and unless otherwise specified, all amounts in this MD&A are in thousands of Canadian dollars, except per share and other non-financial data.

Copies of these documents have been filed electronically with securities regulators in Canada through SEDAR+ at www.sedarplus.ca.

BUSINESS OVERVIEW

Timbercreek Financial is a leading non-bank lender providing financing solutions to qualified real estate investors who are generally in a transitional phase of the investment process.

Timbercreek Financial fulfills a financing requirement that is not well serviced by the commercial banks: primarily shorter duration, structured financing. Real estate investors typically use short-term mortgages to bridge a period (generally one to five years) during which they conduct property repairs, redevelop the property or purchase another investment. These short-term "bridge" mortgages are typically repaid with traditional bank mortgages (lower cost and longer-term debt) once the transitional period is over, a restructuring is complete or from proceeds generated on the sale of assets. Timbercreek Financial focuses primarily on lending against income-producing real estate such as multi-residential, retail and office properties. This emphasis on cash-flowing properties is an important risk management strategy.

Timbercreek Financial, through its Manager, has established preferred lender status with many active real estate investors by providing quick execution on investment opportunities and by providing flexible terms to borrowers. Timbercreek Financial works with borrowers throughout the terms of their mortgages to ensure that their capital requirements are met and, if requested, consider modifications of or extensions to the terms of their mortgages to accommodate additional opportunities that may arise or changes that may occur.

The Company is, and intends to continue to be, qualified as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the Income Tax Act (Canada) ("ITA").

NON-IFRS MEASURES

The Company prepares and releases unaudited interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. In this MD&A, 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").

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 recurring cash flows and earnings for dividends and provide a clearer understanding of the Company's financial performance.

The Company's financial performance is predominately generated from net investment income from net mortgage investments. The Company may enter into certain mortgage participation agreements with other institutional lenders, where such agreements may provide for the Company's participation either on a pari-passu basis or in a subordinated position with one or more institutional syndication partners.

For IFRS presentation purposes, where the derecognition criteria is not met, mortgage investments are reported on a gross basis, with the portion related to the syndicated mortgages being included in the mortgage investments, including mortgage syndications and a corresponding liability as mortgage syndication liabilities. Mortgage syndication liabilities are non-recourse mortgages with period-to-period variances not impacting the Company's performance. Refer to note 4 of the unaudited interim condensed consolidated financial statements. The relevant factors causing period to period variances include net mortgage principal amounts, portfolio allocation, weighted average interest rate and turnover rate. These non-IFRS 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.

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Non-IFRS financial measures for net mortgage investments:

- i. Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and expected credit loss as at the reporting date.
- ii. Weighted average loan-to-value ("WALTV") – a measure of advanced and unadvanced mortgage commitments on a mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral at the time of approval of the mortgage investment (at origination), or subsequently when the underlying collateral is revalued. For construction/redevelopment mortgage investments, fair value is based on an "as completed" basis. For unimproved and improved land, fair value is based on an "as is" basis. Net mortgage investments measured at fair value through profit or loss ("FVTPL") are excluded from WALTV computation. This is a key measure to explain period to period performance variances of net mortgage investments.
- iii. Turnover ratio – represents total borrower repayments and syndications of mortgage investments that occurred more than 30 days past the initial net mortgage investment advance date during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period. The Company makes mortgages or loans to only commercial borrowers that are short-term (generally one to five years), and as such the portfolio turnover rate is higher than typical mortgage portfolios which include individual or non-commercial borrower loans. This is a key measure to explain period to period performance variances of net mortgage investments as turnover from both scheduled and early repayments impacts revenue.
- iv. Weighted average interest rate ("WAIR") for the period – represents the weighted average of daily interest rates (not including lender fees) on the net mortgage investments for the daily period. As a result, the Company complements IFRS measures (which presents financial positions on a point of time basis) with weighted daily average data to explain significant variances. This is a key measure to explain period to period performance variances of net mortgage investments.
- v. Weighted average lender fees for the period – represents the cash lender fees received on individual mortgage investments during the stated period, expressed as a percentage of the Company's advances on those mortgage investments. If the entire lender fee is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment. As a result, the Company complements IFRS measures (which presents financial positions on a point of time basis) with weighted average data to explain significant variances. This is a key measure to explain period to period performance variances of net mortgage investments as lender fees are one of the main contributors to net investment income and distributable income.
- vi. Average net mortgage investment portfolio – represents the daily average of net mortgage investments for the stated period. As a result, the Company complements IFRS measures (which presents financial positions on a point of time basis) with weighted daily average data to explain significant variances. This is a key measure to explain period to period performance variances of net mortgage investments as the average net mortgage investment portfolio is a basis for interest income earned during the period.
- vii. Enhanced return portfolio – represents other investments and net equity in investment properties not included in net mortgage investments.

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Non-IFRS financial measures for Company's assessment of its distribution paying capacity:

It is the Company's view that IFRS net income and earnings per share ("EPS") measures do not necessarily provide a complete measure of the Company's operating performance as IFRS net income and EPS include non-cash items such as amortization of lender fees, amortization of financing costs, unrealized fair value changes, and expected credit loss, which are not representative of current period operating performance. Distributable income ("DI") is a non-IFRS financial measure of cash flow based on the definition set forth by the Company.

Distributable income is computed as IFRS consolidated net income, adjusted for the earlier mentioned items, calculated on an IFRS basis. The Company uses Distributable Income to assess its dividend paying capacity. A reconciliation of the distributable income is provided in "Analysis of Financial Information for the Period" section of the MD&A.

Payout ratio on distributable income is a non-IFRS financial measure of the Company's ability to generate cash flows for dividends. Payout ratio on earnings per share, where earnings is calculated on an IFRS basis, is a common measure of the sustainability of a company's dividend payments and is useful when comparing it to other companies of similar industries.

- i. Distributable income – represents the Company's ability to generate cash flows for dividends by removing the effect of amortization, accretion, unrealized fair value adjustments, expected credit loss, and unrealized gain or loss from total net income and comprehensive income.
- ii. Distributable income per share – represents the total distributable income divided by the weighted average common shares outstanding for the stated period.
- iii. Payout ratio on distributable income – represents total regular common share dividends paid and declared for payment, excluding any special dividends, divided by distributable income for the stated period.
- iv. Payout ratio on earnings per share – represents total regular common share dividends paid and declared for payment, excluding any special dividends, divided by total net income and comprehensive income for the stated period.

RECENT DEVELOPMENTS AND OUTLOOK

Q1 2025 Highlights / Summary:

- Transaction volumes were solid considering the broader macro volatility in financial markets, with the Company advancing \$149.6 million in new net mortgages and existing net mortgages in Q1 2025. Overall, the net mortgage portfolio has increased year-over-year, up over \$101.6 million or 10.4% and decreased modestly compared to December 2024, ending the quarter at \$1,079.2 million.
- Q1 2025 distributable income was strong, at \$0.19 per share in Q1 2025 (92.8% payout ratio), supporting the Company's stable monthly dividends. The dividend remains well-covered and at the current trading price of \$7.00 represent a 9.9% yield – a 7.3% premium over the 2-year Canadian bond yield (2.6% as at May 2, 2025).
- The portfolio WAIR continues to revert toward long-term averages; WAIR and net margin are protected by the high percentage of floating rate loans in a rising rate environment and are conversely protected with rate floors in a falling rate environment.
- The Company continues to advance the remaining staged loans and expects material progress during 2025. The majority of the existing net mortgage portfolio (73%) was originated or renewed after Q1 2022, thus taking into account the rising interest rate environment and by extension the general reset in commercial real estate valuations. Management expects these investments to perform well and repay normally, with a more typical level of staged loans/asset management required.
- While the Company continues to monitor developments closely with respect to tariffs and the potential impact on certain borrowers, the Company's core asset multi-family residential is expected to be relatively well protected from any near-term implications. The Company's overall pipeline remains strong, however, there are some expected delays in certain transactions as borrowers wait for volatility to subside.
- The Company reported strong top-line financial results in Q1 2025, highlighted by net investment income of \$28.6 million (Q1 2024 – \$24.6 million). For Q1 2025, the net mortgage investment portfolio had a WAIR of 8.7%, compared to 8.9% in Q4 2024 (Q1 2024 – 9.9%). The expected decrease is reflective of higher interest rate loans being repaid in the period, as well as the Bank of Canada's policy rate cuts of 50 bps in Q1 2025, and 225 bps from Q1 2024. With lower rates, the Company benefits from a reduced interest expense for its structural leverage (its credit facility or senior syndications), enabling the Company to maintain a healthy net interest margin. The portfolio WAIR is also protected by the high percentage of floating rate loans with rate floors (84.8% of the portfolio at quarter end).
- Distributable income remained strong at \$15.4 million in Q1 2025 (Q1 2024 – \$15.8 million) distributable income per share of \$0.19 in Q1 2025 (Q1 2024 – \$0.19 per share), representing a healthy payout ratio of 92.8% in Q1 2025 (Q1 2024 – 90.6%).
- The Company continues to leverage its asset management experience to advance the resolution of the remaining Stage 2 and Stage 3 loans. Management expects that over the remainder of 2025, the percentage of the portfolio represented by Stage 2 and 3 loans will decline towards historical averages, both through resolution of specific files, and through the growth of the portfolio. Material changes to staged loans and real estate inventory include the following:
 - The Company successfully closed on the sale of three senior living facilities previously recorded as assets held for sale, freeing up capital to be redeployed into higher yield net mortgages.

PORTFOLIO ACTIVITY

In the first quarter the Company advanced \$149.6 million in net mortgage investments, offset by net mortgage portfolio repayments of \$136.8 million. In Q1 2025, the Company exchanged a mortgage investment of \$19.4 million for joint venture ownership of the underlying collateral. This resulted in a slight decrease in the net mortgage investment portfolio of \$10.6 million, from \$1,089.8 million at the end of Q4 2024, to \$1,079.2 million at the end of Q1 2025 (Q1 2024 – \$977.5 million).

On net mortgage investment advances, the Company advanced 12 new net mortgage investments (Q1 2024 – 10) totaling \$112.4 million (Q1 2024 – \$103.1 million) and made additional advances on existing net mortgage investments of \$37.1 million (Q1 2024 – \$95.4 million). The weighted average interest rate on new net mortgage investments' advances was 7.3% compared to 8.5% in Q4 2024 (Q1 2024 – 9.2%). Originations in the quarter were entirely around low LTV multi-family assets. The Company continues to see investment opportunities in its core categories with attractive risk/return characteristics.

On net mortgage investment repayments, 8 net mortgage investments (Q1 2024 – 12) were fully repaid. The Company received total mortgage portfolio repayments of \$136.8 million (Q1 2024 – \$167.1 million), including borrower repayments of \$46.4 million (Q1 2024 – \$167.1 million) and syndication transfers of \$90.4 million (Q1 2024 – nil). The weighted average interest rate on fully repaid net mortgage investments was 8.3%, compared to 9.5% in Q4 2024 (Q1 2024 – 10.3%). The turnover ratio was 12.7% for Q1 2025, compared to 16.7% in Q4 2024 and 19.4% in Q1 2024.

The quarterly WAIR on net mortgage investments was 8.7% in Q1 2025, compared to 8.9% in Q4 2024 (Q1 2024 – 9.9%). The modest decrease is reflective of new mortgage fundings at lower rates, reflecting the Bank of Canada's cumulative rate cut of 225 bps between June 2024 to March 2025. The Company's interest rate exposure remains well insulated. At the end of Q1 2025 variable rate loans with rate floors represented 84.8% of the portfolio compared to 80.4% in Q4 2024 (Q1 2024 – 88.6%). Rate floors help protect WAIR and 87.8% of these variable rate loans with floors are currently at their floor rates. Notably, the WAIR on the portfolio remains resilient due to protection of interest rate floors - as indicated by the Company's WAIR dropping by 1.2% relative to a 2.3% drop in the Bank of Canada prime rate over the same period. Of the remaining portfolio, 4.8% (Q1 2024 – 3.5%) is allocated to floating rate loans without floors and 10.6% (Q1 2024 – 7.9%) is allocated to fixed rate loans.

The Company maintained a conservative portfolio focused on income-producing commercial real estate:

- 66.2% weighted average loan-to-value;
- 88.3% first mortgages in mortgage investment portfolio; and
- 79.7% of mortgage investment portfolio is invested in cash-flowing properties.

The Company's mortgage portfolio remains heavily weighted toward Canada's largest provinces, with approximately 91.8% of the capital invested in Ontario, British Columbia, Quebec and Alberta, and focused on urban markets that generally experience better real estate liquidity.

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FINANCIAL HIGHLIGHTS
KEY FINANCIAL
POSITION INFORMATION

	March 31, 2025	March 31, 2024	December 31, 2024
Net mortgage investments ¹	\$ 1,079,171	\$ 977,549	\$ 1,089,777
Enhanced return portfolio ¹	\$ 43,343	\$ 63,350	\$ 42,913
Real estate held for sale, net of collateral liability	—	\$ 62,200	\$ 65,323
Real estate inventory	\$ 29,636	\$ 30,645	\$ 32,506
Joint Venture	\$ 18,090	\$ —	\$ —

CAPITAL STRUCTURE

Total assets	\$ 1,788,680	\$ 1,719,117	\$ 1,734,184
Total liabilities	\$ 1,103,091	\$ 1,022,702	\$ 1,047,580
Shareholders' equity	\$ 685,589	\$ 696,415	\$ 686,604
Book value per share	\$ 8.28	\$ 8.39	\$ 8.27
Convertible debentures, par	\$ 147,000	\$ 146,000	\$ 147,000
Credit facility	\$ 331,244	\$ 293,536	\$ 396,085
Total debentures and credit facility utilized	\$ 478,244	\$ 439,536	\$ 543,085
Maximum credit limit available	\$ 576,752	\$ 567,991	\$ 606,826
Credit utilization rate	82.9%	77.4%	89.5%

COMMON SHARE INFORMATION

Number of common shares outstanding	82,784,516	83,009,516	83,009,516
Closing trading price	\$ 6.55	\$ 7.73	\$ 7.07
Market capitalization	\$ 542,239	\$ 641,664	\$ 586,877

1. Refer to non-IFRS measures section.

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OPERATING RESULTS¹

	Three months ended		Year ended
	March 31,		December 31,
NET INCOME AND COMPREHENSIVE INCOME	2025	2024	2024
Net investment income on financial assets measured at amortized cost	\$ 28,573	\$ 24,590	\$ 104,344
Fair value gain and other income on financial assets measured at FVTPL	102	337	1,041
Net rental income	266	474	1,544
Net income from joint venture	17	—	—
Gain on real estate properties and real estate held for sale collateral liability	—	—	1,500
Expenses:			
Management fees	(2,903)	(2,393)	(10,548)
Servicing fees	(134)	(159)	(555)
Expected credit loss	(1,554)	(912)	(16,134)
General and administrative	(1,027)	(1,034)	(3,340)
Income from operations	\$ 23,340	\$ 20,903	\$ 77,852
Financing costs:			
Financing cost on credit facility	(5,955)	(4,285)	(21,664)
Financing cost on convertible debentures	(2,613)	(2,250)	(10,031)
Net income and comprehensive income	\$ 14,772	\$ 14,368	\$ 46,157
Payout ratio on earnings per share	96.9%	99.7%	124.1%
DISTRIBUTABLE INCOME			
Net income and comprehensive income	\$ 14,772	\$ 14,368	\$ 46,157
Less: Amortization of lender fees	(2,779)	(1,405)	(6,588)
Add: Lender fees received and receivable	1,339	1,179	7,610
Add: Amortization expense, credit facility	212	416	1,030
Add: Amortization expense, convertible debentures	294	243	1,110
Add: Accretion expense, convertible debentures	160	113	569
Add: Unrealized fair value (gain) loss on DSU	(97)	153	38
Add: Unrealized (gain) loss on FVTPL	(36)	(166)	304
Add: Unrealized gain on real estate	—	—	(1,500)
Add: Expected credit loss	1,554	912	16,134
Distributable income¹	\$ 15,419	\$ 15,813	\$ 64,864
Payout ratio on distributable income ¹	92.8%	90.6%	88.3%
PER SHARE INFORMATION			
Dividends declared to shareholders	\$ 14,307	\$ 14,319	\$ 57,277
Weighted average common shares (in thousands)	82,981	83,010	83,010
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.69
Earnings per share (basic)	\$ 0.18	\$ 0.17	\$ 0.56
Earnings per share (diluted)	\$ 0.18	\$ 0.17	\$ 0.56
Distributable income per share ¹	\$ 0.19	\$ 0.19	\$ 0.78

1. Refer to non-IFRS measures section.

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Net investment income on financial assets measured at amortized cost

For analysis purposes, net interest income and its component parts are discussed net of payments made on account of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

During Q1 2025, the Company earned net investment income on financial assets measured at amortized cost of \$28.6 million (Q1 2024 – \$24.6 million). Net investment income includes the following:

a. Interest income

The Company earned interest income on net mortgage investments measured at amortized cost of \$24.7 million (Q1 2024 – \$21.9 million). The increase in interest income is the result of higher average mortgage portfolio size (\$862.8 million in Q1 2024 compared to \$1,073.5 million in Q1 2025).

The decrease in interest income on other loan investments is due to repaid loans lowering average balance, average balance in other loan investments for Q1 2025 is \$31.8 million as compared to \$46.7 million in Q1 2024.

b. Lender fee income

During Q1 2025, the Company recognized income from amortization of lender fees on net mortgage investments measured at amortized cost of \$2.8 million (Q1 2024 – \$1.4 million), reflecting a return to higher levels of loan origination activity. In the same period the Company recognized income from amortization of lender fees on other loan investments in other investments in the enhanced return portfolio of nil (Q1 2024 – \$26).

c. Other income/loss

During Q1 2025, the Company recognized other income of \$140 (Q1 2024 – \$97), attributable to bank interest income and miscellaneous income.

Fair value gains (losses) and other income on financial assets measured at FVTPL

During Q1 2025, the Company earned interest income on net mortgage investments measured at FVTPL of \$50 (Q1 2024 – \$171). The Company continues to measure its FVTPL assets using the direct comparison method, comparing the assets to directly comparable properties and has not recorded any fair value adjustments (Q1 2024 – no fair value adjustments).

During Q1 2025, the Company recognized an unrealized fair value gain of \$36 (Q1 2024 – gain \$166) on investment in participating debentures, measured at FVTPL.

Net rental income from real estate

Net rental income from real estate inventory and real estate property held for sale was \$266 during Q1 2025 (Q1 2024 – \$474):

- Real estate land inventory operations incurred a net rental loss of \$309 in Q1 2025 (Q1 2024 – loss of \$149).
- Real estate condo inventory incurred operating expenses of \$133 in Q1 2025 (Q1 2024 – nil).
- Real estate property held for sale generated net rental income of \$0.7 million in Q1 2025 (Q1 2024 – \$0.6 million). Real estate property held for sale was sold on March 3, 2025, and the Company stopped recognizing rental income after the sale was complete.

Expenses

Expenses for Q1 2025 were \$5.6 million (Q1 2024 – \$4.5 million).

a. Management fees, Servicing fees and Arrangement Fees

The management agreement with Timbercreek Capital Inc. had an initial term of 10 years and extended for another 10 years to October 2034. The Company pays (i) management fee equal 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 equal 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 are defined as the total assets of the Company, less unearned revenue before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities.

As compensation for the Manager's work on syndicating any mortgage investments, the Management Agreement permits the Manager to collect a portion of the lender fee paid by borrowers of mortgage investments. The Management Agreement provides that, in respect of each mortgage investment made on or after April 1, 2020 involving syndication to another party of a senior tranche with the Company retaining a subordinated component, the Manager shall be entitled to retain, from any lender fee generated in respect of such loan, an amount equal to 0.20% of the whole loan amount ("A-note Arrangement Fee") if such syndication occurs within 90 days of closing of the mortgage. The A-note Arrangement Fee will not apply to any renewal of existing mortgage investments which already include syndicated senior and subordinated components.

The Management agreement has been amended to replace the A-Note Arrangement Fee with a right of the Manager to retain a "Mortgage Arrangement Fee", being 25% of all origination, renewal, modification and exit fees generated in respect of mortgage loans funded, renewed or modified by the Company on or after January 1, 2025.

During Q1 2025, the Company incurred management fees of \$2.9 million (Q1 2024 – \$2.4 million). The increase in fees is mainly attributed to higher average gross assets of \$1,222.3 million managed in Q1 2025 compared to \$1,128.5 million managed in Q1 2024. For Q1 2025, the Company incurred \$134 (Q1 2024 – \$159) in servicing fees. Mortgage Arrangement Fees of \$0.9 million paid by borrower were retained by the Manager (Q1 2024 – nil), A-note Arrangement fees retained by the Manager for Q1 2024 was nil.

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b. Expected Credit Loss ("ECL")

Expected Credit Loss for net mortgage investments in Q1 2025 was \$1.6 million (Q1 2024 – \$0.9 million), reflective of the changes in Stage 2 and Stage 3 net mortgage investments. The cumulative allowance for expected credit loss is \$18.3 million (discussed further in the ECL section), representing approximately 1.7% of the \$1,079.2 million net mortgage investment portfolio.

General and administrative

During Q1 2025, the Company incurred general and administrative expenses of \$1.0 million (Q1 2024 – \$1.0 million). General and administrative expenses consist mainly of legal fees, audit fees, director's fees, shareholder reporting fees, consulting fees, filing fees and other operating expenses.

Income from Operations

Income from operations totaled \$23.3 million in Q1 2025 as compared to \$20.9 million in Q1 2024, quarter over quarter increase of \$2.4 million is largely driven by higher net investment income on mortgages at amortized cost due to an increased portfolio size.

Financing Costs**Financing cost on credit facility**

The interest rates and fees on the existing credit agreement are either at the prime rate of interest plus 1.25% per annum (December 31, 2024 – prime rate of interest plus 1.25%) or at Adjusted Term CORRA plus 2.25% per year (December 31, 2024 – 2.25%) and standby fee of 0.45% per annum (December 31, 2024 – 0.45%) on the unutilized credit facility balance.

Interest expense on the credit facility is recorded using the effective interest rate method. During Q1 2025, included in financing costs is interest expense on the credit facility of \$5.7 million (Q1 2024 – \$3.9 million), interest expense on credit facility was \$1.9 million higher mainly due to increased average credit utilization, Q1 2025 saw an average credit utilization of \$403.1 million, as compared to Q1 2024 average utilization of \$183.1 million.

Average borrowing rate has decreased from 8.45% in Q1 2024 to 5.70% in Q1 2025, the decrease is primarily attributable to the 2.25% prime rate decrease from 7.20% during Q1 2024 to 4.95% at end of Q1 2025.

For Q1 2025 amortization of financing costs of \$212 (Q1 2024 – \$416) were included in financing costs.

Financing cost on convertible debentures

The Company has \$46.0 million of 7.50% convertible unsecured debentures, \$46.0 million of 5.00% convertible unsecured subordinated debentures, and \$55.0 million of 5.25% convertible unsecured subordinated debentures outstanding as at March 31, 2025.

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

		Three months ended	
		March 31,	
		2025	2024
Interest on the convertible debentures	\$	2,159	\$ 1,893
Amortization of financing costs and accretion expense		454	357
Total	\$	2,613	\$ 2,250

Net Income and Comprehensive Income

During Q1 2025, the Company earned net income and comprehensive income of \$14.8 million (Q1 2024 – \$14.4 million) or basic earnings per share of \$0.18 (Q1 2024 – \$0.17), representing a payout ratio of 96.9% (Q1 2024 – 99.7%) on earnings per share.

Distributable Income

Distributable income represents the Company's ability to generate cash flows for dividends by removing the effect of amortization, accretion, unrealized fair value adjustments, expected credit loss, and unrealized gain or loss from total net income and comprehensive income.

During Q1 2025, the Company generated distributable income of \$15.4 million (Q1 2024 – \$15.8 million) or distributable income per share of \$0.19 (Q1 2024 – \$0.19 per share) representing a payout ratio of 92.8% (Q1 2024 – 90.6%).

Cash Lender Fees

Non-refundable cash lender fee received and receivable on loans originated during the period is included in calculation of distributable income. The cash lender fees are initially recorded as unearned revenue and amortized over the term of the loan.

During Q1 2025, the Company recorded cash lender fees in net mortgage investments of \$1.3 million on new loans funded (Q1 2024 – \$1.2 million).

During Q1 2025, the weighted average lender fee was 1.1% on new loans funded, respectively (Q1 2024 – 0.9%). During Q1 2025 and YTD 2025, the weighted average lender fees was 0.9% on both new and renewed mortgages, respectively (Q1 2024 – 0.8%).

Lender fees continue to be a significant component of distributable income as a result of mortgage investment origination and portfolio turnover.

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

Earnings per share

		Three months ended	
		March 31,	
PER SHARE INFORMATION		2025	2024
Dividends per share	\$	0.17	\$ 0.17
Earnings per share (basic)	\$	0.18	\$ 0.17
Earnings per share (diluted)	\$	0.18	\$ 0.17
Distributable income per share ¹	\$	0.19	\$ 0.19

1. Refer to non-IFRS measures section.

In accordance with IFRS Accounting Standards, convertible debentures are considered for potential dilution in the calculation of the diluted earnings per share. Each series of convertible debentures is considered individually and only those with dilutive effect on earnings are included in the diluted earnings per share calculation. Convertible debentures that are considered dilutive are required by IFRS Accounting Standards to be included in the diluted earnings per share calculation notwithstanding that the conversion price of such convertible debentures may exceed the market price and book value of the Company's common shares.

Diluted earnings per share are calculated by adding back the interest expense relating to the dilutive convertible debentures to total net income and comprehensive income and increasing the weighted average number of common shares by treating the dilutive convertible debentures as if they had been converted on the later of the beginning of the reporting period or issuance date.

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

STATEMENTS OF FINANCIAL POSITION
Net Mortgage Investments

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	March 31, 2025	December 31, 2024
Mortgage investments, excluding mortgage syndications	\$ 1,070,636	\$ 1,078,238
Mortgage syndications	613,964	427,263
Mortgage investments, including mortgage syndications	1,684,600	1,505,501
Mortgage syndication liabilities	(613,964)	(427,263)
	1,070,636	1,078,238
Interest receivable	(15,699)	(15,533)
Unamortized lender fees	5,937	6,276
Expected credit loss	18,297	20,796
Net mortgage investments	\$ 1,079,171	\$ 1,089,777

Net mortgage investments statistics and ratios¹	Three months ended March 31,		Year ended December 31,
	2025	2024	2024
Total number of mortgage investments	104	92	100
Average mortgage investment ²	\$ 16,201	\$ 16,029	\$ 15,097
Average net mortgage investment portfolio	\$ 1,073,527	\$ 862,774	\$ 1,025,979
Weighted average interest rate for the period	8.7 %	9.9 %	8.9 %
Weighted average lender fees for the period	0.9 %	0.8 %	1.0 %
Turnover ratio	12.7 %	19.4 %	16.7 %
Average remaining term to maturity (years)	0.9	0.8	1.0
Average term at origination (years)	2.4	3.1	2.4
Net mortgage investments secured by cash-flowing properties	79.7 %	85.7 %	81.9 %
Weighted average Loan-to-Value	66.2 %	64.4 %	63.3 %

1. Refer to non-IFRS measures section.

2. Whole loan at period end (includes syndications).

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

Portfolio allocation

The Company's net mortgage investments were allocated across the following categories:

a. Security position				March 31, 2025		December 31, 2024	
	Number	Net Mortgage Investments		Number	Net Mortgage Investments	Number	Net Mortgage Investments
Interest in first mortgages	94	\$ 952,542		92	\$ 976,605		
Interest in second and third mortgages ¹	10	126,629		8	113,172		
	104	\$ 1,079,171		100	\$ 1,089,777		
¹ Included in the Company's interest in second and third mortgages as at March 31, 2025, was \$3.8 million of the net mortgage investments in which the Company holds a subordinated position (December 31, 2024 – \$445). The Company's syndicated partners who hold a senior position as at March 31, 2025, was \$16.6 million (December 31, 2024 – \$25.0 million).							
b. Region				March 31, 2025		December 31, 2024	
	Number	Net Mortgage Investments		Number	Net Mortgage Investments	Number	Net Mortgage Investments
Ontario	37	\$ 384,016		40	\$ 409,129		
Quebec	23	230,080		20	216,269		
British Columbia	16	224,334		15	230,309		
Alberta	14	152,253		11	147,858		
Other	14	88,488		14	86,212		
	104	\$ 1,079,171		100	\$ 1,089,777		
c. Maturity				March 31, 2025		December 31, 2024	
	Number	Net Mortgage Investments		Number	Net Mortgage Investments	Number	Net Mortgage Investments
2025	39	547,011		45	\$ 552,730		
2026	44	363,262		45	413,446		
2027	20	163,834		9	118,601		
2028	1	5,064		1	5,000		
	104	\$ 1,079,171		100	\$ 1,089,777		
d. Asset Type / WALTV at origination				March 31, 2025		December 31, 2024	
	Number	Net Mortgage Investments	WALTV at origination	Number	Net Mortgage Investments	WALTV at origination	
Multi-Residential ¹	71	\$ 649,124	64.3%	65	\$ 651,421	63.8%	
Retail	4	96,311	65.5%	5	107,260	63.5%	
Unimproved Land ²	3	39,029	32.2%	3	45,997	43.3%	
Improved Land ³	7	88,965	53.0%	7	87,956	52.9%	
Office	4	68,432	58.2%	4	68,769	58.4%	
Industrial ¹	10	112,636	53.5%	11	102,080	52.2%	
Single-Residential	3	17,501	48.4%	4	20,794	49.9%	
	102	1,071,998	60.5%	99	1,084,277	60.3%	
Net mortgage investments measured at FVTPL	2	7,173	n/a	1	5,500	n/a	
	104	\$ 1,079,171		100	\$ 1,089,777		

¹ Includes 6 construction loans in total. 5 of which are Multi-Residential and 1 Industrial (December 31, 2024 – 6 in total, 5 Multi-Residential, 1 Industrial) totaling \$61.9 million, \$22.8 million in Multi-Residential and \$39.1 million in Industrial (December 31, 2024 – \$39.7 million total, \$19.7 million in Multi-Residential and \$20.0 million in Industrial). Construction loans are provided for the purpose of building a new asset.

² Unimproved land means serviced or unserviced lands that do not contemplate construction during the loan period.

³ Improved land means serviced land with non-income producing properties intended to be substantially renovated or demolished that do not contemplate construction during the loan period.

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

Mortgage syndication liabilities

The Company enters 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.

These agreements generally provide an option for the Company 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. The Company has mortgage syndication liabilities of \$614.0 million (December 31, 2024 – \$427.3 million). In general, mortgage syndication liabilities vary from quarter to quarter and are dependent on the type of investments seen at any particular time and are not necessarily indicative of a future trend.

Expected Credit Loss ("ECL")

The expected credit losses are maintained at a level that management considers adequate to absorb credit-related losses on our mortgage and other loan investments, measured at amortized cost. The expected credit losses amounted to \$22.4 million as at March 31, 2025 (December 31, 2024 – \$24.4 million), of which \$18.3 million (December 31, 2024 – \$20.8 million) was recorded against mortgage investments and \$4.1 million (December 31, 2024 – \$3.6 million) was recorded against other investments.

	As at March 31, 2025				As at December 31, 2024			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	\$1,099,139	\$ 54,567	\$ 3,501	\$1,157,207	\$ 893,237	\$ 62,467	\$ 3,256	\$ 958,960
Mortgage syndication liabilities ¹	499,261	31,694	—	530,955	278,295	40,245	—	318,540
Net mortgage investments	599,878	22,873	3,501	626,252	614,942	22,222	3,256	640,420
Expected credit losses ²	838	221	38	1,097	725	582	37	1,344
	599,040	22,652	3,463	625,155	614,217	21,640	3,219	639,076
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	247,640	224,122	74,886	546,648	343,954	149,463	76,426	569,843
Mortgage syndication liabilities ¹	52,989	32,214	—	85,203	110,503	—	—	110,503
Net mortgage investments	194,651	191,908	74,886	461,445	233,451	149,463	76,426	459,340
Expected credit losses ²	111	2,814	14,275	17,200	1,126	1,601	16,725	19,452
	194,540	189,094	60,611	444,245	232,325	147,862	59,701	439,888
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	2,694	—	32,746	35,440	2,727	—	31,817	34,544
Mortgage syndication liabilities ¹	—	—	—	—	—	—	—	—
Net mortgage investments	2,694	—	32,746	35,440	2,727	—	31,817	34,544
Expected credit losses ²	5	—	4,106	4,111	5	—	3,627	3,632
	\$ 2,689	\$ —	\$ 28,640	\$ 31,329	\$ 2,722	\$ —	\$ 28,190	\$ 30,912

¹Including interest receivable.

²Expected credit losses in finance lease receivable and unadvanced commitments are all considered to be with minimal ECL.

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

The changes in the expected credit losses year to date are shown in the following tables:

	Three Months Ended March 31, 2025				Three Months Ended March 31, 2024			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	\$ 725	\$ 582	\$ 37	\$ 1,344	\$ 780	\$ 280	\$ 395	\$ 1,455
Expected credit losses:								
Remeasurement	68	(361)	1	(292)	240	47	154	441
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total expected credit losses	793	221	38	1,052	1,020	327	549	1,896
Fundings	75	—	—	75	45	—	—	45
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(30)	—	—	(30)	(96)	—	—	(96)
Balance at end of period	\$ 838	\$ 221	\$ 38	\$ 1,097	\$ 969	\$ 327	\$ 549	\$ 1,845
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	\$ 1,126	\$ 1,651	\$ 16,725	\$ 19,502	\$ 560	\$ 732	\$ 9,346	\$ 10,638
Expected credit losses:								
Remeasurement	—	1,153	118	1,271	290	(29)	368	629
Transfer to/(from)								
Stage 1	(5)	—	—	(5)	(411)	—	—	(411)
Stage 2	—	5	—	5	—	757	—	757
Stage 3	—	—	—	—	—	—	(346)	(346)
Total expected credit losses	1,121	2,809	16,843	20,773	439	1,460	9,368	11,267
Fundings	—	5	—	5	5	—	—	5
Gross Write-Offs	—	—	(2,568)	(2,568)	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(5)	—	—	(5)	(5)	—	—	(5)
Transfer to joint venture	\$ (1,005)	\$ —	\$ —	\$ (1,005)	\$ —	\$ —	\$ —	\$ —
Balance at end of period	\$ 111	\$ 2,814	\$ 14,275	\$ 17,200	\$ 439	\$ 1,460	\$ 9,368	\$ 11,267
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	\$ 5	\$ —	\$ 3,627	\$ 3,632	\$ 337	\$ —	\$ —	\$ 337
Expected credit losses:								
Remeasurement	—	—	479	479	(108)	—	—	(108)
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total expected credit losses	5	—	4,106	4,111	229	—	—	229
Fundings	—	—	—	—	—	—	—	—
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	—	—	—	—	—	—	—	—
Balance at end of period	\$ 5	\$ —	\$ 4,106	\$ 4,111	\$ 229	\$ —	\$ —	\$ 229

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

The following table presents the gross carrying amounts of mortgage and other loan investments, net of syndication liabilities, subject to IFRS 9 impairment requirements by internal risk ratings used by the Company for credit risk management purposes.

In assessing credit risk, the Company utilizes a risk rating framework that considers the following factors: collateral type, property rank that is applicable to the Company's security and/or priority positions, loan-to-value, population of location of the collateral and an assessment of possible loan deterioration factors. These factors include consideration of the guarantor's ability to make interest payments, the condition of the asset and cash flows, economic and market factors as well as any changes to business plans that could affect the execution risk of the loan.

The internal risk ratings presented in the table below are defined as follows:

Low Risk: Mortgage and loan investments that exceed the credit risk profile standard of the Company with a below average probability of default. Yields on these investments are expected to trend lower than the Company's average portfolio.

Medium-Low: Mortgage and loan investments that are typical for the Company's risk appetite, credit standards and retain a below average probability of default. These mortgage and loan investments are expected to have average yields and would represent a significant percentage of the overall portfolio.

Medium-High: Mortgage and loan investments within the Company's risk appetite and credit standards with an average probability of default. These investments typically carry attractive risk-return yield premiums.

High Risk: Mortgage and loan investments within the Company's risk appetite and credit standards that have an additional element of credit risk that could result in an above average probability of default. These mortgage and loan investments carry a yield premium in return for their incremental credit risk. These mortgage and loan investments are expected to represent a small percentage of the overall portfolio.

Credit impaired: Mortgage and loan investments that are more than 90 days past due on interest payment, or that are more than 90 days past due on principal payment and/or the Company assesses that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Company has commenced enforcement remedies available to it under its contractual agreements.

TIMBERCREEK FINANCIAL

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

	As at March 31, 2025				As at December 31, 2024			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 343,526	\$ —	\$ —	\$ 343,526	\$ 413,625	\$ —	\$ —	\$ 413,625
Medium-Low risk	193,579	—	—	193,579	115,628	—	—	115,628
Medium-High risk	62,773	22,873	—	85,646	85,689	22,222	—	107,911
High risk	—	—	—	—	—	—	—	—
Credit Impaired	—	—	3,501	3,501	—	—	3,256	3,256
Net	599,878	22,873	3,501	626,252	614,942	22,222	3,256	640,420
Expected credit losses	838	221	38	1,097	725	582	37	1,344
Mortgage investments¹	599,040	22,652	3,463	625,155	614,217	21,640	3,219	639,076
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	74,107	6,098	—	80,205	82,653	—	—	82,653
Medium-Low risk	91,277	—	—	91,277	91,174	—	—	91,174
Medium-High risk	29,187	88,165	—	117,352	59,535	43,375	—	102,910
High risk	80	97,645	—	97,725	89	106,088	—	106,177
Credit Impaired	—	—	74,886	74,886	—	—	76,426	76,426
Net	194,651	191,908	74,886	461,445	233,451	149,463	76,426	459,340
Expected credit losses	111	2,814	14,275	17,200	1,126	1,601	16,725	19,452
Mortgage investments¹	194,540	189,094	60,611	444,245	232,325	147,862	59,701	439,888
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	—	—	—	—	—	—	—	—
Medium-Low risk	—	—	—	—	—	—	—	—
Medium-High risk	—	—	—	—	—	—	—	—
High risk	2,694	—	—	2,694	2,727	—	—	2,727
Credit Impaired	—	—	32,746	32,746	—	—	31,817	31,817
Net	2,694	—	32,746	35,440	2,727	—	31,817	34,544
Expected credit losses	5	—	4,106	4,111	5	—	3,627	3,632
Other loan Investments¹	\$ 2,689	\$ —	\$ 28,640	\$ 31,329	\$ 2,722	\$ —	\$ 28,190	\$ 30,912

¹ Net of mortgage syndications.

The following tables present credit exposures from net mortgage investments by ranges of loan-to-value ("LTV") ratio. LTV is calculated as the ratio of the total committed loan balance to the fair value of the collateral. The fair value of the collateral is based on the most recently available appraisals.

	As at March 31, 2025				As at December 31, 2024			
Net Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LTV ratio								
Less than 50%	\$ 350,575	\$ —	\$ —	\$ 350,575	\$ 321,807	\$ —	\$ —	\$ 321,807
50-75%	386,553	56,173	3,501	446,227	476,407	21,875	3,256	501,538
75-85%	53,360	22,873	—	76,233	24,067	—	12,533	36,600
More than 85%	4,041	135,735	74,886	214,662	26,112	149,810	63,893	239,815
Net Mortgage Investments¹	794,529	214,781	78,387	1,087,697	\$ 848,393	\$ 171,685	\$ 79,682	\$ 1,099,760

1. Net of mortgage syndications.

The Company estimates that a 5% decrease in the value of the collateral associated with Stage 3 net mortgage investments will increase ECL by \$2.8 million as of March 31, 2025 (December 31, 2024 – \$2.8 million), whereas a 5% increase in the value of the collateral associated with Stage 3 net mortgage investments will decrease ECL by \$2.7 million as of March 31, 2025 (December 31, 2024 – decrease of \$2.7 million).

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

Enhanced return portfolio

As at	March 31, 2025	December 31, 2024
Other loan investments, net of expected credit loss	\$ 31,332	\$ 30,912
Finance lease receivable, measured at amortized cost	6,020	6,020
Investment in participating debentures, measured at FVTPL	766	756
Investment in equity instrument, measured at FVTPL	3,000	3,000
Joint venture investment in indirect real estate development	2,225	2,225
Total Enhanced Return Portfolio	\$ 43,343	\$ 42,913

As at March 31, 2025, the Company held \$31.3 million in other loan investments, net of expected credit loss (December 31, 2024 – \$30.9 million).

In October 2017, the Company entered into a 20-year emphyteutic lease under which the lessee has the obligation to purchase the property at \$9.9 million at the end of the lease term in September 2038 and the option to purchase the property earlier based on a prescribed purchase price schedule. Refer to note 4(e) of the Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2025, and 2024.

As at March 31, 2025, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling \$0.8 million or €0.5 million (December 31, 2024 – \$0.8 million or €0.5 million).

As at March 31, 2025, the Company is invested in equity instrument of Timbercreek Mortgage Servicing Inc. ("TMSI") totaling \$3.0 million (December 31, 2024 – \$3.0 million).

As at March 31, 2025, the Company held \$2.2 million (December 31, 2024 – \$2.2 million) in indirect real estate developments through joint venture and associate, using the equity method.

Real estate
Real estate land inventory

As at March 31, 2025, the Company has land inventory of \$28.8 million (December 31, 2024 – \$29.3 million), which is recorded at the lower of cost and net realizable value. Land inventory operations incurred a net operating loss of \$309 for the three months ended March 31, 2025 (Q1 2024 – loss of \$149). The Company estimates that a 5% decrease in the net realizable value of the land inventory would not result in an impairment charge as of March 31, 2025 (December 31, 2024 - nil).

Real estate condo inventory

As at March 31, 2025, the Company holds 6-units of remaining condo inventory at a carrying value of \$0.8 million located in Edmonton, Alberta (December 31, 2024 – nil), which is recorded at the lower of cost and net realizable value. The condo inventory was previously the collateral for a mortgage investment at amortized cost. The condo inventory was acquired via a credit bid of a 13-units condo inventory mortgage completed on September 9, 2024, in exchange for the discharge of the associated mortgage investment, on a non-cash basis. At the time of the exchange, the mortgage investment had a carrying value of \$3.9 million, comprised of net mortgage investment of \$8.1 million and an ECL provision of \$4.1 million. The Company recognized the condo inventory at a cost of \$3.9 million on the exchange date. Operating expenses of \$133 were incurred in Q1 2025 in relation to this condo inventory (Q1 2024 – nil).

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

Since the credit bid completed on September 9, 2024, 7 out of the 13 units were sold. Subsequent to March 31, 2025, 1 out of remaining 6 units were sold. The valuation incorporates these contracts for the measurement of the net realizable value.

Real estate held for sale

On March 3, 2025, the Company completed a sale of its real estate property classified as held for sale for \$135.5 million with the proceeds of \$129.5 million received at closing and remaining \$6.0 million deferred to be received by March 3, 2028. The Company's proportionate share of the deferred payment of \$3.0 million is recorded in other assets. The Company has fully repaid its real estate collateral inventory liability of \$67.3 million.

Real estate held for sale was originally acquired via credit bid of a senior retirement housing mortgage where the borrower had filed for CCAA in August 2023. The Company's syndicate partners held a 50% economic interest in the property. The syndicated partner's interest was classified as collateral liability of \$67.3 million as at December 31, 2024. The Company's ownership interest net of collateral liability was \$65.3 million as at December 31, 2024. The property generated a net rental income of \$0.7 million in the three months ended March 31, 2025 (Q1 2024 – \$0.7 million).

As at	March 31, 2025	December 31, 2024
Real estate held for sale	—	132,635
Real estate held for sale collateral liability	—	(67,312)
Real estate held for sale, net of collateral liability	\$ —	\$ 65,323

Joint venture

On January 31, 2025, the Company, along with its syndication partners, elected to purchase one commercial retail property located in downtown Vancouver, BC. Prior to purchase, the property was recorded in the Company's net mortgage investments at amortized cost totaling \$21.1 million at the Company's share. Effective January 31, 2025, the Company obtained 50% beneficial interest in the commercial retail property in exchange for the discharge of the associated mortgage investment. Upon exchange, the Company received \$1.7 million in mortgage investment measured at FVTPL and \$19.4 million or 50% beneficial interest via joint venture. Subsequently, the Company received \$1.3 million in distributions on return of capital.

The changes in the joint venture investment are as follows:

As at	March 31, 2025	December 31, 2024
Balance, beginning of period	\$ —	\$ —
Acquisition	19,402	—
Disposition of net assets	—	—
Net income during the period	17	—
Distribution received	(1,329)	—
Balance, end of period	\$18,090	\$ —

The financial information below shows 100% of net assets and net income of the joint venture and the Company's 50% share:

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

As at	March 31, 2025	December 31, 2024
Current assets	\$ 1,035	\$ —
Non-current assets	92,694	—
Current liabilities	549	—
Non-current liabilities	57,000	—
Net Assets at 100%	\$ 36,180	\$ —
Net Assets at TF's share	\$ 18,090	\$ —

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Revenue	\$ 1,003	\$ —
Operating Expenses	(420)	—
Interest Expense	(550)	—
Net income at 100%	\$ 33	\$ —
Net income at TF's share	\$ 17	\$ —

Credit facility

As at	March 31, 2025	December 31, 2024
Credit facility	\$ 332,000	\$ 397,000
Unamortized financing costs	(756)	(915)
Credit facility, end of period	\$ 331,244	\$ 396,085

As of March 31, 2025, the Company has an aggregate credit limit of \$510.0 million under its credit facility and an accordion feature of \$100.0 million. The facility is secured by a general security agreement over the Company's assets and its subsidiaries. The credit facility agreement has a maturity date of February 8, 2026.

As at March 31, 2025, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the existing credit agreement is \$429.8 million.

During Q1 2025, the Company incurred deferred financing costs of \$53 (Q1 2024 – \$1.6 million). The deferred financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

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Convertible debentures

As at March 31, 2025, and December 31, 2024, the Company's obligations under the convertible unsecured debentures are as follows:

Series	Ticker Symbol	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price per share	Equity Component	March 31, 2025	December 31, 2024
July 2021 Debentures	TF.DB.D	5.25 %	July 31, 2028	January 31 and July 31	11.40	1,107	55,000	55,000
December 2021 Debentures	TF.DB.E	5.00 %	December 31, 2028	June 30 and December 31	11.40	1,405	46,000	46,000
May 2024 Debentures	TF.DB.F	7.50 %	June 30, 2029	June 30 and December 31	8.50	1,357	46,000	46,000
Unsecured Debentures, principal							147,000	147,000
Unamortized financing cost and amount allocated to equity component							(6,972)	(7,426)
Debentures, end of period							\$ 140,028	\$ 139,574

July 2021 Debentures

On July 8, 2021, the Company completed a public offering of \$50.0 million, plus an over-allotment option of \$5.0 million on July 15, 2021, of 5.25% convertible unsecured subordinated debentures for net proceeds of \$52.1 million (the "July 2021 Debentures").

The July 2021 Debentures are redeemable on or after July 31, 2024 and prior to July 31, 2026 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, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to the prevailing market price at the date of redemption.

On and after July 31, 2026 and prior to the maturity date, the July 2021 Debentures will be redeemable, 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, on not more than 60 days' and not less than 30 days' prior written notice.

The issue costs of \$2.9 million 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.

December 2021 Debentures

On December 3, 2021, the Company completed a public offering of \$40.0 million plus an over-allotment option of \$6.0 million on December 10, 2021, of 5.00% convertible unsecured subordinated debentures for net proceeds of \$43.8 million (the "December 2021 Debentures").

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The December 2021 Debentures are redeemable on or after December 31, 2024 and prior to December 31, 2026 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, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to the prevailing market price at the date of redemption.

On and after December 31, 2026 and prior to the maturity date, the December 2021 Debentures will be redeemable, 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, on not more than 60 days' and not less than 30 days' prior written notice.

The issue costs of \$2.2 million 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.

May 2024 Debentures

On May 28, 2024, the Company successfully completed a \$46.0 million bought deal offering of convertible debentures, with the \$6.0 million over-allotment option fully exercised by underwriters for net proceeds of \$43.4 million (the "May 2024 Debentures"). These debentures, accrue interest at 7.50% per annum and mature in June 30, 2029, are listed under (TSX: TF.DB.F) on the Toronto Stock Exchange.

On or after June 30, 2027 and prior to the maturity date, the May 2024 Debentures will be redeemable, 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, on not more than 60 days' and not less than 30 days' prior written notice.

The issue costs of \$2.6 million 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.

SHAREHOLDERS' EQUITY**Common shares**

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

The common shares are classified within shareholders' equity in the statements of financial position. Any incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity.

On March 5, 2024, the Company filed a 25-month period short form base shelf prospectus in all provinces and territories of Canada which allows the Company to offer and issue common shares, debt securities, subscription receipts, warrants, and units (collectively, the "Securities") from time to time.

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

	Three months ended March 31,	
	2025	2024
Balance, beginning of period	83,009,516	83,009,516
Common shares issued under dividend reinvestment plan	205,303	197,555
Common shares repurchased for dividend reinvestment plan	(205,303)	(197,555)
Common shares repurchased under normal course issuer bid	(225,000)	—
Balance, end of period	82,784,516	83,009,516

(a) At-the-market equity program (the "ATM Program")

The Company announced on March 12, 2024, that it has re-established an ATM Program that allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to \$90,000 to the public from time to time, at the Company's discretion. Sales of the common shares under the equity distribution agreement are made through "at-the-market distributions" as defined in National Instrument 44-102 - Shelf Distributions, including sales made directly on the Toronto Stock Exchange (the "TSX"). The common shares distributed under the ATM Program are at the market prices prevailing at the time of sale, and therefore prices vary between purchasers and over time.

During Q1 2025 and Q1 2024, the Company did not issue any common shares under the ATM program,

(b) Dividend reinvestment plan ("DRIP")

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 can be purchased from the open market based upon the prevailing market rates or 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 Q1 2025, the Company purchased from the open market 205,303 common shares (Q1 2024 – 197,555) for a total amount of \$1.4 million (Q1 2024 – \$1.4 million). During Q1 2025, common shares were purchased from the open market at an average price of \$6.78 per common share (Q1 2024 – \$7.30).

During Q1 2025, the Company did not issue common shares from treasury (Q1 2024 – nil).

(c) Dividends to holders of common shares

The Company intends to pay dividends to holders of common shares monthly within 15 days following the end of each month. During Q1 2025, the Company declared regular dividends of \$14.3 million or \$0.17 per share (Q1 2024 – \$14.3 million or \$0.17 per share).

As at March 31, 2025, \$4.7 million in aggregate dividends (December 31, 2024 – \$4.7 million) were payable to the holders of common shares by the Company. After March 31, 2025, the Board of Directors of the Company declared dividends of \$0.0575 per share to be paid on April 15, 2025, to the common shareholders of record on March 31, 2025.

Management's Discussion and Analysis

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(d) Normal course offering bid ("NCIB")

On June 10, 2024, the Company renewed the NCIB to repurchase for cancellation up to 8,216,051 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on June 12, 2024, and will continue until June 11, 2025, upon expiry.

The Company may repurchase under the NCIB by means of open market transactions or otherwise as permitted by the TSX. All repurchases under the NCIB will be repurchased on the open market through the facilities of the TSX and alternative Canadian trading platforms at the prevailing market price at the time of such transaction.

For the three months ended March 31, 2025, the Company repurchased 225,000 shares for cancellation for \$1.5 million at an average price per common share of \$6.58 (Q1 2024 – nil).

Non-executive director deferred share unit plan ("DSU Plan")

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"). The directors are entitled to also accumulate additional DSUs equal to the monthly cash dividends, on the DSUs already held by that director determined based on the Fair Market Value of the common shares on the dividend payment date.

Following each calendar quarter, the director DSU accounts are credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value.

The DSU 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.

During Q1 2025, 12,303 units were issued (Q1 2024 – 11,711) and as at March 31, 2025, 193,606 units were outstanding (December 31, 2024 – 181,303). During Q1 2025, no DSUs were exercised (Q1 2024 – nil).

DSU expense for Q1 2025 was \$111 (Q1 2024 – \$103). The units related to Q1 Director's compensation will be issued after March 31, 2025.

STATEMENT OF CASH FLOWS**Cash from (used in) operating activities**

Cash from operating activities for Q1 2025 was \$6.8 million (Q1 2024 – used \$14.5 million).

Cash (used in) from financing activities

The net cash used in financing activities for Q1 2025 was \$80.8 million (net cash from Q1 2024 – \$15.9 million).

During the quarter, cash used in financing activities for Q1 2025 consisted of net repayments on the credit facility of \$65.0 million (Q1 2024 – draws of \$35.0 million). The Company paid common share dividends of \$12.9 million (Q1 2024 – \$17.7 million). The Company repurchased shares on the open market under DRIP and NCIB programs of \$2.9 million (Q1 2024 – \$1.4 million).

Cash from (used in) investing activities

The net cash from investing activities was \$66.0 million for Q1 2025 (net cash used in Q1 2024 – \$274).

During the quarter, net cash from investing activities for Q1 2025 consisted of proceeds from disposition of real estate held for sale \$128.8 million (Q1 2024 – nil) and repayment of real estate inventory collateral liability of \$64.4 million (Q1 2024 – nil). The Company received distribution from financial asset measured at FVTPL of \$42 (Q1 2024 – 0). The Company received distribution from joint venture of \$1.3 million (Q1 2024 – nil). The Company received cash on maturity of currency forward hedging contracts of \$246 (Q1 2024 – paid cash of \$274).

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QUARTERLY FINANCIAL INFORMATION

The following is a quarterly summary of the Company's results for the eight most recently completed quarters:

NET INCOME AND COMPREHENSIVE INCOME	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Net Investment Income on financial assets measured at amortized cost	\$ 28,573	\$ 27,902	\$ 25,411	\$ 26,441	\$ 24,590	\$ 29,722	\$ 30,303	\$ 31,471
Fair value gain and other income on financial assets measured at FVTPL	102	178	291	235	337	463	231	306
Gain on real estate properties	—	1,500	—	—	—	—	—	—
Net rental income (loss)	266	222	459	389	474	327	(270)	(293)
Net income from joint venture	17	—	—	—	—	—	—	—
Expenses:								
Management fees	(2,903)	(2,851)	(2,681)	(2,623)	(2,393)	(2,821)	(2,842)	(2,892)
Servicing fees	(134)	(120)	(132)	(144)	(159)	(177)	(181)	(185)
Expected credit loss	(1,554)	(15,067)	(252)	97	(912)	(1,782)	(692)	(875)
General and administrative	(1,027)	(813)	(564)	(929)	(1,034)	(663)	(400)	(1,187)
Income from operations	23,340	10,951	22,532	23,466	20,903	25,069	26,149	26,345
Financing costs:								
Financing cost on credit facility	(5,955)	(5,943)	(5,865)	(5,571)	(4,285)	(7,846)	(7,444)	(7,208)
Financing cost on debentures	(2,613)	(2,635)	(2,611)	(2,535)	(2,250)	(2,249)	(2,250)	(2,249)
Net income and comprehensive income	\$ 14,772	\$ 2,373	\$ 14,056	\$ 15,360	\$ 14,368	\$ 14,974	\$ 16,455	\$ 16,888

PER SHARE INFORMATION

Dividends per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Earnings per share (basic)	\$ 0.18	\$ 0.03	\$ 0.17	\$ 0.19	\$ 0.17	\$ 0.18	\$ 0.20	\$ 0.20
Earnings per share (diluted)	\$ 0.18	\$ 0.03	\$ 0.17	\$ 0.18	\$ 0.17	\$ 0.18	\$ 0.19	\$ 0.20
Distributable income per share ¹	\$ 0.19	\$ 0.21	\$ 0.18	\$ 0.20	\$ 0.19	\$ 0.21	\$ 0.20	\$ 0.21

¹ Refer to non-IFRS measures section.

The following is a quarterly summary of the Company's restated consolidated statements of cash flows for the eight most recently completed quarters:

RESTATEd CONSOLIDATED STATEMENTS OF CASH FLOW	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Net cash (used in) from operating activities	\$ 6,776	\$ (48,495)	\$ (282)	\$ (5,767)	\$ (14,532)	\$ 136,314	\$ 4,431	\$ 40,348
Net cash from (used in) financing activities	\$ (80,799)	\$ 57,681	\$ 3,787	\$ (1,425)	\$ 15,908	\$ (161,637)	\$ 28,578	\$ (42,536)
Net cash (used in) from investing activities	\$ 66,007	\$ (2,135)	\$ 1,950	\$ 2,119	\$ (274)	\$ (2,955)	\$ 20	\$ 962

The variations in total net income and comprehensive income by quarter are mainly attributed to the following:

- In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments. As a result, net interest income is susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances, to determine its distributable income on a calendar year basis;
- In any given quarter, the Company is subject to volatility from fair value adjustments to financial assets measured at FVTPL and allowance for mortgage investments resulting in fluctuations in quarterly total net income and comprehensive income; and
- The utilization of the credit facility to fund mortgage investments results in higher net interest income, which is partially offset by higher financing costs.

RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere, related party transactions include the following:

- (a) As at March 31, 2025, Due to Manager consists of management and servicing fees payable of \$1.1 million (December 31, 2024 – \$1.0 million).
- (b) During three months ended March 31, 2025, Mortgage Arrangement Fees of \$0.9 million paid by borrower were retained by the Manager (Q1 2024 – nil). A-note Arrangement fees retained by the Manager for Q1 2024 was nil.
- (c) As at March 31, 2025, included in other assets is \$3.7 million (December 31, 2024 – \$4.7 million) 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 and other loan funding holdbacks, repayments and prepaid mortgage interest received from various borrowers.
- (d) As at March 31, 2025, the Company is invested in non-voting shares of TMSI totaling \$3.0 million (December 31, 2024 – \$3.0 million), which is classified as investment in equity instrument within other investments.
- (e) As at March 31, 2025, the Company has a first mortgage investment which a director of the Manager is also an officer and part-owner of an entity which holds a subordinate loan position.
 - A first mortgage investment with a total gross commitment of \$40.0 million (December 31, 2024 – \$40.0 million). The Company's share of the commitment is \$7.9 million (December 31, 2024 – \$7.9 million). For the three months ended March 31, 2025, the Company has recognized net interest income of \$338 (Q1 2024 – \$265).
 - A first mortgage investment of \$9.0 million (December 31, 2024 – \$9.0 million). The Company's share of the mortgage investment is \$2.7 million (December 31, 2024 – \$2.7 million). During Q1 2025, the Company has recognized net interest income of \$130 (Q1 2024 – \$99).
- (f) As at March 31, 2025, the Company and Timbercreek Real Estate Finance U.S. Holding LP are related parties as they are managed by the Manager.
 - The Company and TREF US have co-invested in 1 mortgage investment totaling \$49.0 million (December 31, 2024 – \$49.5 million). The Company's share in this mortgage investment is \$24.7 million (December 31, 2023 – \$24.7 million). During Q1 2025, the Company has recognized net interest income of \$0.8 million (Q1 2024 – nil).
- (g) As at March 31, 2025, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling \$0.8 million or €0.5 million (December 31, 2024 – \$0.8 million or €0.5 million), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.
- (h) As at March 31, 2025, the Company and Timbercreek North American Mortgage Fund are related parties as they are managed by the Manager, and they have co-invested in 3 mortgages (December 31, 2024 – 3) totaling \$55.2 million (December 31, 2024 – \$54.3 million). The Company's share in this mortgage investment is \$27.6 million (December 31, 2024 – \$27.1 million).

COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgage investments and other investments. Where required, management records adequate provisions in the accounts. As of March 31, 2025, there are no provisions recognized.

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 material adverse effect on the Company's financial position.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's unaudited interim condensed consolidated financial statements, Timbercreek Capital Inc. (the "Manager"), has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties, other than the global market volatility, that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these unaudited interim condensed consolidated financial statements.

Measurement of expected credit loss

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. The Company exercises significant credit judgement in the determination of a significant increase in credit risk since initial recognition, credit impairment of debt investments and expected timing and recoverable amount of credit impaired debt investments. Judgement is also required in the determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, their effect on the determination of impairment losses and forward-looking information used as economic inputs. These judgements include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the expected credit loss.

The Company's ECL calculations are model outputs with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant assumptions include probability-weighting and expected cash shortfalls as well as capitalization rates and comparable transactions for collateral properties. These estimates are driven by a number of factors which vary by the nature of investment, changes in which can result in different levels of allowances. Refer to note 4(d).

Syndication liabilities

The Company applies judgement in assessing the relationship between parties with which it enters into participation agreements in order to assess the derecognition of transfers relating to mortgage and other loan investments.

Classification of mortgage and other loan investments

Mortgage investments and other loan investments are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Company exercises judgement in determining both the business model for managing the assets and whether cash flows of the financial asset comprise solely payments of principal and interest.

Net realizable value of real estate inventory

Real estate inventory is measured at the lower of cost and net realizable value. In determining the net realizable value of land inventory, the Company estimates the selling prices of land parcels based on assumptions surrounding zoning and density approvals on those lands, prevailing market prices, and selling costs. The determination of net realizable value for the measurement of land inventory includes management estimates of the ultimate disposal values of various plots of land when in consideration with different sales strategies. In determining net realizable value of condo inventory, the Company estimates selling prices based on market comparables and considers relevant selling costs.

Real estate held for sale

Real estate held for sale is measured at the lower of carrying amount and fair value less costs to sell. Determining the estimated fair value less costs to sell is a source of estimation uncertainty. The significant assumptions used when determining the fair value of real estate held for sale are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized future cash flows are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Company also considers relevant selling costs in the ultimate disposal of the properties. In a scenario where the sales process has progressed sufficiently, fair value less costs to sell may also be based on an executed purchase and sale agreement.

Joint arrangements

Judgment is applied in determining whether the Company has joint control and whether the arrangements are joint operations or joint ventures. In making this assessment management applies judgment to determine the Company's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

MATERIAL ACCOUNTING POLICIES

The accounting policies applied by the Company in the unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2024 with the exception of the following new accounting policy, which were prepared in accordance with IFRS Accounting Standards as issued by IASB.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets relating to the arrangement, and usually results from the establishment of a separate legal entity. The Company accounts for its joint ventures using the equity method. The share of results of income of the joint venture is reflected in the Consolidated Statements of Net Income and Comprehensive Income.

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Under the equity method, an investment in a joint venture is recognized initially in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture in accordance with the Company's accounting policies. When the Company's share of losses of a joint venture exceeds its interest in that joint venture, the Company continues recognizing its share of further losses to the extent that it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

When the Company transacts with a joint venture, profits and losses resulting from the transactions with the joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

OUTSTANDING SHARE DATA

As at May 5, 2025, the Company's authorized capital consists of an unlimited number of common shares, of which 82,753,216 are issued and outstanding.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures and controls to provide reasonable assurance that information that is publicly disclosed is complete, reliable and timely.

The Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") of Timbercreek Financial, along with the assistance of senior Management of the Manager with their supervision, have designed Disclosure Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR"), as those terms are defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), to provide reasonable assurance that all material information relating to the Company that is required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis and within the time period specified in securities legislation, and have designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

No changes were made in the design of ICFR during the period ended March 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance of control issues, including whether instances of fraud, if any, have been detected. These inherent limitations include, among other items:

- i. that Management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances;
- ii. the impact of any undetected errors; and
- iii. that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by Management override.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

CAPITAL STRUCTURE AND LIQUIDITY

Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company believes that the conservative amount of structural leverage gained from the debentures and credit facility is accretive to net earnings, appropriate for the risk profile of the business. The Company anticipates meeting all of its contractual liabilities (described below) using its mix of capital structure and cash flow from operating activities.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions.

Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. The Company is, and intends to continue to be, qualified as a MIC as defined under Section 130.1(6) of the ITA and, as a result, is required to distribute not less than 100% of the taxable income of the Company to its shareholders. The Company manages its liquidity position through various sources of cash flows including cash generated from operations and credit facility. The Company has an aggregate borrowing ability of \$510.0 million through its renewed credit facility and it intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at March 31, 2025, the Company's qualified credit facility limit is subject to a borrowing base as defined in the First Amending Agreement to Credit Agreement, which is \$429.8 million. Pursuant to the terms of the credit facility renewal, the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum adjusted shareholders' equity, maximum non-debenture indebtedness to adjusted shareholders' equity and maximum consolidated debt to total assets. As at March 31, 2025, the Company is in compliance with its credit facility's covenants.

The Company routinely forecasts cash flow sources and requirements, including unadvanced commitments, to ensure cash is efficiently utilized.

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at March 31, 2025, including expected interest payments:

	Carrying value	Contractual cash flow	Within a year	Following year	3 – 5 years	5 + Years
Accounts payable and accrued expenses	\$ 8,330	\$ 8,330	\$ 8,330	\$ —	\$ —	\$ —
Dividends payable	4,730	4,730	4,730	—	—	—
Due to Manager	1,099	1,099	1,099	—	—	—
Mortgage and other loans funding holdbacks	1,723	1,723	1,723	—	—	—
Prepaid mortgage and other loans interest	1,973	1,973	1,973	—	—	—
Credit facility ¹	331,244	347,096	347,096	—	—	—
Convertible debentures ²	140,028	179,914	8,638	8,638	162,638	—
	\$ 489,127	\$ 544,865	\$ 373,589	\$ 8,638	\$ 162,638	\$ —
Unadvanced mortgage commitments, excluding mortgage syndication liabilities	—	149,318	149,318	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities ³	\$ 489,127	\$ 694,183	\$ 522,907	\$ 8,638	\$ 162,638	\$ —

¹ Credit facility includes interest based upon March 2025 interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on February 8, 2026.

² The convertible debentures include interest based on coupon rate on the convertible debentures assuming the outstanding balance is not repaid until its contractual maturity on July 31, 2028, December 31, 2028 and June 30, 2029.

³ The mortgage syndication liabilities of \$614.0 million and its portion of unadvanced mortgage commitment of \$174.8 million are excluded.

As at March 31, 2025, the Company had a cash position of \$5.3 million (December 31, 2024 – \$13.3 million) and an unutilized credit facility balance of \$97.8 million (December 31, 2024 – \$62.8 million). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities including proceeds from mortgage repayments and syndications, and the credit facility.

FINANCIAL INSTRUMENTS

Financial assets

The Company's cash and cash equivalents, other assets, mortgage investments and other investments, including mortgage syndications, are designated as loans and receivables and are measured at amortized cost. The fair values of cash and cash equivalents and other assets approximate their carrying amounts due to their short-term nature. The fair value of mortgage investments, including mortgage syndications, approximate their carrying value given the mortgage and other investments consist of short-term mortgages that are repayable at the option of the borrower without yield maintenance or penalties.

Financial liabilities

The Company's accounts payable and accrued expenses, dividends payable, due to Manager, mortgage and other loan funding holdbacks, prepaid mortgage interest, credit facility, real estate inventory collateral liability, convertible debentures, derivative liability (interest rate swap contract) and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. Except for convertible debentures and mortgage syndication liabilities, the fair value of these financial liabilities approximates their carrying amounts due to their short-term nature. The fair value of mortgage syndication liabilities approximates their carrying value given the mortgage investments consist of short-term mortgages that are repayable at the option of the borrower without yield maintenance or penalties. The fair value of the convertible debentures is based on the market trading price of convertible debentures at the reporting date.

RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties that may affect the Company's future performance and its ability to execute on its investment objectives. We have processes and procedures in place in an attempt to control or mitigate certain risks, while other risks cannot be or are not mitigated. Material risks that cannot be mitigated include a significant decline in the general real estate market, interest rates changing markedly, being unable to make mortgage investments at rates consistent with rates historically achieved, not having adequate mortgage investment opportunities presented to us, change in currency rates and not having adequate sources of bank financing available. There have been no changes to the Company, which may affect the overall risk of the Company.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of March 31, 2025, \$994.3 million of net mortgage investments bear interest at variable rates (December 31, 2024 – \$983.4 million). There were no other loan investments that bear interest at variable rates as of March 31, 2025 (December 31, 2024 – nil). Net mortgage investments totaling \$942.4 million have a floor rate (December 31, 2024 – \$902.0 million).

If there were a decrease or increase of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments and other investments to net income and comprehensive income for the next 12 months would be a decrease in net income of \$170 (December 31, 2024 – 0.50% and a decrease in net income of \$0.5 million) or an increase in net income of \$5.0 million (December 31, 2024 – 0.50% and an increase in net income of \$4.9 million). The Company manages its sensitivity to interest rate fluctuations by managing the fixed/floating ratio and its use of floor rates in its investment portfolio.

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

The Company is also exposed to interest rate risk on the credit facility. As at March 31, 2025, net exposure to interest rate risk was \$332.0 million (December 31, 2024 – \$397.0 million), and assuming it was outstanding for the entire period, a 0.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income and comprehensive income for the next 12 months by \$1.7 million (December 31, 2024 – \$2.0 million per 0.50% decrease or increase in interest rates).

The Company's other assets, interest receivable, accounts payable and accrued expenses, prepaid mortgage and other loans interest, mortgage and other loan funding holdbacks, dividends payable and due to Manager have no significant exposure to interest rate risk due to their short-term nature. Convertible debentures carry a fixed rate of interest and are not subject to interest rate risk. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk primarily from other investments that are denominated in a currency other than the Canadian dollar. The Company uses foreign currency forwards and swaps to approximately economically hedge the principal balance of future earnings and cash flows caused by movements in foreign exchange rates. Under the terms of the foreign currency forward and swap contracts, the Company buys or sells a currency against another currency at a set price on a future date.

As at March 31, 2025, the Company has US\$17.2 million and €0.5 million in other investments denominated in foreign currencies (December 31, 2024 – US\$17.2 million and €0.5 million). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at March 31, 2025, the Company has one U.S. dollar currency contract with an aggregate notional value of US\$17.2 million, at a forward contract rate of 1.4109, that matures on May 23, 2025. The Company also has one Euro currency contract with an aggregate notional value of €0.5 million at a contract rate of 1.4826, that matures on May 21, 2025.

The fair value of the foreign currency forward contracts as at March 31, 2025 is a liability of \$429 which is included in accounts payable. The valuation of the foreign currency forward contracts was computed using Level 2 inputs which include spot and forward foreign exchange rates.

Credit risk

Credit risk is the risk that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

- i. adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
- ii. ensuring all new mortgages and other investments are approved by the Investment Committee before funding; and
- iii. actively monitoring the mortgage and other investments and initiating recovery procedures, in a timely manner, where required.

The maximum exposure to credit risk, including unfunded commitments, and prior to impact of allowance for ECL at March 31, 2025, relating to net mortgage investments and other investments is \$1,320.3 million (December 31, 2024 – \$1,351.0 million).

Management's Discussion and Analysis

For the three months ended March 31, 2025

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

The Company has recourse under these mortgages and the majority of other investments in the event of default by the borrowers; in which case, the Company would have a claim against the underlying collateral. Management believes that the potential loss from credit risk with respect to cash that is held in trust at a Schedule I bank by the Company's transfer agent and operating cash is also held at a Schedule I bank, to be minimal.

The Company is exposed to credit risk from the collection of accounts receivable from tenants relating to real estate held for sale.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized. For a discussion of the Company's liquidity, cash flow from operations and mitigation of liquidity risk, see the "Capital Structure and Liquidity" section in this MD&A.

ADDITIONAL INFORMATION**Dividend Reinvestment Plan**

Timbercreek Financial offers a dividend reinvestment plan ("DRIP") so that shareholders may automatically reinvest their dividends in new shares of Timbercreek Financial. These common shares can be purchased from the open market at the prevailing market price or from treasury at a 2% discount from market price and with no commissions. This provides an easy way to realize the benefits of compound growth of their investment in Timbercreek Financial. Shareholders can enroll in the DRIP program by contacting their investment advisor or investment dealer.

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