

Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the three months ended March 31, 2022



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, impacts as a result of COVID-19, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in 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.sedar.com.

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 9, 2022. Disclosure contained in this MD&A is 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.sedar.com.

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, considers 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”).

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, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2021 and 2020, which are prepared in accordance with International Financial Reporting 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 and may be accessed through the SEDAR website at www.sedar.com.

NON-IFRS MEASURES

The Company prepares and releases unaudited interim condensed consolidated financial statements in accordance with IFRS. 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.

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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.

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 allowance for mortgage investments 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. For construction/redevelopment mortgage investments, fair value is based on an "as completed" basis. For unimproved land property, fair value is based on an "as is" basis. Net mortgage investments measured at fair value through profit or loss ("FVTPL") are excluded from weighted average loan-to-value computation. This is a key measure to explain period to period performance variances of net mortgage investments.
- iii. Turnover ratio – represents total net mortgage investments repayments 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), 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 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 as 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 as 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 is one of the main contributors to net investment income and distributable income.

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- 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 as 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 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.

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

It is the Company's view that IFRS net income does not necessarily provide a complete measure of the Company's operating performance as IFRS net income includes non-cash items such as amortization of lender fees, amortization of financing costs, unrealized fair value changes, and allowance for mortgage investments loss, which are not representative of current year operating performance. Distributable income is a non-IFRS financial measure of cash flows 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 in assessing 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, allowance for mortgage investments 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 common share dividends paid and declared for payment, divided by distributable income for the stated period.
- iv. Payout ratio on earnings per share – represents total common share dividends paid and declared for payment, divided by total net income and comprehensive income for the stated period.
- v. Adjusted distributable income – represents distributable income adjusted for the impact of a realized gain on an investment measured at FVTPL as well as non-recurring foreign currency gains on other investment.
- vi. Adjusted distributable income per share – represents the total adjusted distributable income divided by the weighted average common shares outstanding for the stated period.
- vii. Payout ratio on adjusted distributable income – represents total common share dividends paid and declared for payment, divided by adjusted distributable income for the stated period.

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- viii. Adjusted net income and comprehensive income – represents adjusted net income and comprehensive income for the stated period to exclude the impact from unrealized fair value (gain)/loss on financial assets measured at FVTPL and on derivative contracts (interest rate swap) used for hedging purposes but hedge accounting was not adopted. The fair value loss on financial assets represents the change in unrealized loss determined based on the fair value that the Company determined using its valuation policies on the financial assets. The fair value (gain)/loss on the interest rate swap contract represents the change in unrealized appreciation or depreciation of fair value of the interest rate swap, determined based on the fair value that the Company would pay or receive if the interest rate swap had been terminated as at the reporting date.
- ix. Adjusted earnings per share – adjusted earnings per share is calculated in the same manner as earnings per share using adjusted net income and comprehensive income for the stated period.
- x. Payout ratio on adjusted earnings per share – represents total common share dividends paid and declared for payment, divided by adjusted net income and comprehensive income for the stated period.

RECENT DEVELOPMENTS AND OUTLOOK

The Company is pleased to report Q1 2022 distributable income and adjusted distributable income of \$15.2 million or \$0.18 per share, representing a payout and adjusted payout ratio of 93.9% which continues to be within Management's desired range in the mid-90s. The Q1 2022 results are reflective of a strong quarter on the funding front and continued focus to manage and grow the book.

The Company's portfolio continues to perform well. In addition, there have been no new additions to either Stage II or Stage III loans this quarter.

The first quarter saw net new mortgage funding of \$210.5 million, advances on existing mortgages of \$16.1 million and net mortgage repayments of \$122.2 million. The Company is pleased with its robust Q1 origination activity with the majority of new exposure consisting of desirable multi-family assets as well as an increase in industrial exposure. Also during Q1 2022, the credit facility for mortgage investments was upsized by \$40.0 million enabling the Company to continue to seek out more opportunities for growth.

Subsequent to March 31, 2022 the Company was successful in progressing on its exit plans for some of its non-core assets. In late April, the Company closed on the sale of the Saskatchewan portfolio for proceeds approximating its carrying value. The Saskatchewan portfolio was settled through an assumption of the credit facility - investment properties, an issuance of a \$5.5 million vendor-take-back mortgage to the purchaser, and the remainder in cash. Separately, the Company exchanged its mortgage investment in one of the FVTPL mortgages for an equity interest in the other comprising primarily of land, while also converting its existing mortgage interest into equity in the same land. The majority of the assets are development lands and the Company will be engaging a commercial broker to begin the final disposition process. Exiting these low income-generating positions will allow the Company to reinvest this capital in mortgages that will be accretive to distributable income – the core strategy.

Looking forward into the rest 2022, with COVID restrictions largely terminated, a 75 basis point interest rate increase already in effect and more presumed to be coming, the environment is likely to be noticeably different than the last two years. We expect the interest rate increases to be beneficial to the Company as the majority of our loans are floating rates, and after the most recent rate increase are largely through their floors.

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PORTFOLIO ACTIVITY

In Q1 2022 the Company funded 18 new net mortgage investments totaling \$210.5 million and made additional advances of \$16.1 million. Portfolio turnover decreased to 11.4% (with fully discharged and partially discharged net mortgage investments totaling \$122.2 million), compared with 23.3% in Q4 2021. This resulted in the net value of the mortgage portfolio, excluding syndications, to be higher by \$103.7 million (from \$1,159.6 million in Q4 2021 to \$1,263.3 million at the end of Q1 2022). The amount drawn on the credit facility funding mortgage investments was \$516.0 million at the end of Q1 2022, compared to \$420.0 million at the end of Q4 2021. With \$59.0 million available on the credit facility, Timbercreek Financial continues to be in a strong liquidity position entering Q2 2022.

At the end of Q1 2022, 90.3% of the mortgage investments were secured by income-producing properties, compared to 88.3% in Q4 2021. Multi-residential real estate assets (apartment buildings) comprise the largest portion of the portfolio at 55.3% at quarter end, compared to 48.0% in Q4 2021.

Our exposure to first mortgages was 92.5% of the net mortgage portfolio at quarter end. Our weighted average loan-to-value ratio increased slightly from the prior quarter at 71.3% compared to 70.1% in Q4 2021, resulting from some higher loan-to-value multi-family loans being funded in the quarter. Our weighted average interest rate for the period was 6.6% in Q1 2022 with an exit rate of 6.6% as at March 31, 2022, a slight change from 6.8% as at and for the period ended December 31, 2021. The decline in weight average interest rates over the last few quarters is mainly a reflection of the low-rate environment and normal turnover in the portfolio. The distributable income ratio has been maintained through this period as credit facility expense has also declined. As we enter a rising rate environment, this trend is expected to reverse over the coming months with some incremental gains to the portfolio as interest earning assets exceeds our leverage amount.

The net mortgage portfolio remains heavily weighted toward Canada's largest provinces, with approximately 97.7% of the mortgage portfolio invested in Ontario, British Columbia, Quebec and Alberta, the majority of which are in urban markets that generally experience better real estate liquidity and thus offer a better risk profile.

The Company continues to monitor and advance its exit strategies on its FVTPL financial assets and investment properties. In the quarter the Company recorded a fair value loss on its FVTPL loans of \$656 primarily reflecting the write-off of carrying costs on the investments.

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FINANCIAL HIGHLIGHTS
KEY FINANCIAL
POSITION INFORMATION

	March 31, 2022	March 31, 2021	December 31, 2021
Net mortgage investments ¹	\$ 1,263,341	\$ 1,147,591	\$ 1,159,634
Enhanced Return Portfolio ¹	\$ 80,578	\$ 87,351	\$ 84,603

CAPITAL STRUCTURE

Total assets	\$ 1,871,906	\$ 1,715,700	\$ 1,732,064
Total liabilities	\$ 1,175,741	\$ 1,028,837	\$ 1,047,481
Shareholders' equity	\$ 696,165	\$ 686,863	\$ 684,583
Book value per share	\$ 8.33	\$ 8.48	\$ 8.33
Convertible debentures, par	\$ 146,000	\$ 91,000	\$ 146,000
Credit facility (investment properties)	\$ 30,683	\$ 30,665	\$ 30,690
Credit facility (mortgage investments)	\$ 514,640	\$ 450,716	\$ 419,179
Total debentures and credit facility utilized	\$ 691,323	\$ 572,381	\$ 595,869
Maximum credit limit available	\$ 751,690	\$ 656,690	\$ 711,690
Credit utilization rate	92.0 %	87.2 %	83.7 %

COMMON SHARE INFORMATION

Number of common shares outstanding	83,601,255	80,977,475	82,219,602
Closing trading price	\$ 9.49	\$ 8.83	\$ 9.61
Market capitalization	\$ 793,376	\$ 715,031	\$ 790,130

1. Refer to non-IFRS measures section.

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OPERATING RESULTS¹

	Three months ended March 31,		Year ended December
	2022	2021	2021
NET INCOME AND COMPREHENSIVE INCOME			
Net Investment Income on financial assets measured at amortized cost	\$ 22,677	\$ 22,439	\$ 90,249
Total fair value (loss) gain and other income on financial assets measured at FVTPL	\$ (103)	\$ 479	\$(10,291)
Net rental income	\$ 382	\$ 348	\$ 1,499
Total fair value loss on investment properties	\$ —	\$ —	\$ (4,374)
Expenses	\$ 4,241	\$ 3,895	\$ 16,237
Income from operations	\$ 18,715	\$ 19,371	\$ 60,846
Financing costs:			
Financing cost on credit facilities	\$ 3,560	\$ 3,903	\$ 16,734
Financing cost on convertible debentures	\$ 2,273	\$ 1,454	\$ 6,745
Fair value (gain) loss on derivative contract	\$ —	\$ (977)	\$ (3,940)
Net income (loss) and comprehensive income	\$ 12,882	\$ 14,991	\$ 41,307
Payout ratio on earnings per share	110.8 %	93.1 %	135.9 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME			
Net income (loss) and comprehensive income	\$ 12,882	\$ 14,991	\$ 41,307
Add: fair value (gain) loss on derivative contract (interest rate swap)	\$ —	\$ (977)	\$ (3,940)
Add: net unrealized loss on financial assets measured at FVTPL	\$ 946	\$ 116	\$ 13,748
Add: Net unrealized loss on investment properties	\$ —	\$ —	\$ 4,374
Adjusted net income and comprehensive income¹	\$ 13,828	\$ 14,130	\$ 55,489
Payout ratio on adjusted earnings per share ¹	103.2 %	98.8 %	101.2 %
PER SHARE INFORMATION			
Dividends declared to shareholders	\$ 14,268	\$ 13,961	\$ 56,142
Weighted average common shares (in thousands)	82,583	80,918	81,325
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.69
Earnings per share (basic)	\$ 0.16	\$ 0.19	\$ 0.51
Earnings per share (diluted)	\$ 0.16	\$ 0.18	\$ 0.51
Adjusted earnings per share (basic) ¹	\$ 0.17	\$ 0.17	\$ 0.68
Adjusted earnings per share (diluted) ¹	\$ 0.17	\$ 0.17	\$ 0.68

1. Refer to non-IFRS measures section.

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OPERATING RESULTS¹

	Three months ended March 31,		Year ended December 31,
	2022	2021	2021
DISTRIBUTABLE INCOME			
Adjusted net income and comprehensive income ¹	\$ 13,828	\$ 14,130	\$ 55,489
Less: amortization of lender fees	(2,290)	(2,082)	(9,275)
Add: lender fees received and receivable	2,459	2,561	10,746
Add: amortization of financing costs, credit facility	215	154	1,022
Add: amortization of financing costs, debentures	252	181	1,060
Add: accretion expense, debentures	113	50	323
Add: unrealized fair value (gain) loss on DSU	(33)	19	104
Add: allowance for expected credit loss	649	300	1,660
Distributable income¹	\$ 15,193	\$ 15,313	\$ 61,129
Payout ratio on distributable income ¹	93.9 %	91.2 %	91.8 %
ADJUSTED DISTRIBUTABLE INCOME			
Distributable income	\$ 15,193	\$ 15,313	\$ 61,129
Less: One-time distribution income	—	—	(707)
Adjusted Distributable income¹	\$ 15,193	\$ 15,313	\$ 60,422
Payout ratio on adjusted distributable income ¹	93.9 %	91.2 %	92.9 %
PER SHARE INFORMATION			
Dividends declared to shareholders	\$ 14,268	\$ 13,961	\$ 56,142
Weighted average common shares (in thousands)	82,583	80,918	81,325
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.69
Distributable income per share ¹	\$ 0.18	\$ 0.19	\$ 0.75
Adjusted distributable income per share ¹	\$ 0.18	\$ 0.19	\$ 0.74

1. Refer to non-IFRS measures section.

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For the three months ended March 31, 2022 ("Q1 2022") and March 31, 2021 ("Q1 2021")

- The Company funded 18 new net mortgage investments (Q1 2021 – 11) totaling \$210.5 million, net of syndications post-funding (Q1 2021 – \$84.5 million), and made additional advances on existing net mortgage investments totaling \$16.1 million (Q1 2021 – \$73.1 million). New funding was mainly comprised of multi-residential and industrial real estate. The weighted average interest rate on net mortgages funded was 6.7%, which is consistent with Q4 2021.
- The Company fully discharged 9 net mortgage investments (Q1 2021 – 10) and partially discharged net mortgage investments totaling \$122.2 million (Q1 2021 – \$152.9 million). The weighted average interest rate on fully discharged net mortgage investments was 8.5%, primarily resulting from a large multi-residential construction loan being repaid.
- The quarterly weighted average interest rate on net mortgage investments was 6.6% in Q1 2022, compared to 7.3% in Q1 2021 (Q4 2021 – 6.9%), reflecting a rate reduction observed gradually over the last year as well as a change in mix of mortgage positions. In Q1 2021, first mortgage positions represented 90.3% of the net mortgage investments whereas in Q1 2022 first mortgage positions represented 92.6% of the mortgage portfolio. While first mortgage positions generally bear a lower face rate of interest, the Company has the ability to seek higher advance rates on these positions, generating a higher equity return.
- Funding of new and existing net mortgage investments of \$226.6 million, offset by repayments of \$122.2 million, resulted in a higher net mortgage investment portfolio of \$1,263.3 million (Q4 2021 – \$1,159.6 million).
- Turnover ratio was 11.4% for Q1 2022 compared to 13.7% in Q1 2021. The decrease is largely attributed to the higher funding activity in Q1 2022, offset with lower repayments.
- Other investments within the enhanced return portfolio were \$67.1 million (Q1 2021 – \$70.1 million), a net decrease of \$3.0 million in the quarter, primarily due to the discharge of collateralized loan investments.
- Net investment income on financial assets measured at amortized cost increased by \$300 from the previous year (\$22.7 million in Q1 2022 compared to \$22.4 million in Q1 2021), primarily attributable to higher average net mortgage investments at amortized cost in Q1 2022 (\$1,144.7 million in Q1 2022 compared to \$1,138.0 million in Q1 2021), higher lender fees amortized through income (Q1 2022 - \$2.3 million versus Q1 2021 - \$2.1 million) partially offset by interest rate compression over the periods.
- Fair value loss and other income on financial assets measured at FVTPL decreased from a gain of \$479 in Q1 2021 to a loss of \$103 in Q1 2022, resulting primarily from the fair value loss on mortgage investments recorded in Q1 2022 of \$656 versus a loss of \$200 in Q1 2021.
- Income from operations saw a \$700 decrease over the prior year (\$18.7 million in Q1 2022 compared to \$19.4 million in Q1 2021) largely driven by higher fair value losses and expected credit losses.
- Weighted average interest rate in the existing portfolio was well protected at the end of Q1 2022 with only 8.2% fixed rate exposure (Q1 2021 – 16.3%) and floating rate loans with rate floors representing 85.6% (Q1 2021 – 76.3%). The remaining 6.2% of the portfolio is allocated to floating rate loans without floors.
- Non-refundable lender fees recorded were \$2.5 million (Q1 2021 – \$2.6 million), Q1 2021 included approximately \$720 of fees relating to forbearance and renewals that did not recur in Q1 2022. The quarterly weighted average lender fees on new and renewed mortgages was 1.2% during the quarter (Q1 2021 – 0.9%), while the quarterly weighted average lender fee on new mortgages only was 1.2% (Q1 2021 – 1.0%).
- General and administrative expenses were \$501 (Q1 2021 – \$512) consistent with the prior period.

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- The unrealized loss from financial assets measured at fair value was \$946 (Q1 2021 – \$116), the Company generated adjusted net income and comprehensive income of \$13.8 million (Q1 2021 – \$14.1 million) or basic and diluted adjusted earnings per share of \$0.17 (Q1 2021 – basic and diluted of \$0.17). The Company declared \$14.3 million in dividends to common shareholders (Q1 2021 – \$14.0 million), representing a payout ratio of 103.2% (Q1 2021 – 98.8%) on an adjusted earnings per share basis.
- The Company generated distributable income and adjusted distributable income of \$15.2 million (Q1 2021 – \$15.3 million) or distributable income and adjusted distributable income per share of \$0.18 (Q1 2021 – \$0.19), representing a payout ratio of 93.9% (Q1 2021 – 91.2%) on an adjusted distributable income basis.
- The Company continued to be active with its at-the-market equity program which allows it to issue common shares from treasury having an aggregate gross sales amount of up to \$90.0 million. In the quarter, the Company has issued 1,248,200 common shares for gross proceeds of \$11.9 million at an average price of \$9.55 per common share.

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.

For Q1 2022, the Company earned net investment income of \$22.7 million (Q1 2021 – \$22.4 million). Net investment income includes the following:

a. Interest income

During Q1 2022, the Company earned interest income on net mortgage investments of \$18.9 million (Q1 2021 – \$19.0 million). The weighted average interest rate on net mortgage investments during Q1 2022 was 6.6% compared to 7.3% in Q1 2021. Slight decrease in interest income on net mortgage investments is attributable to higher yielding loans repaying through 2021 and Q1 2022, partially offsetting this was a higher average net mortgage investment portfolio of \$1,144.7 million during Q1 2022, compared to \$1,138.0 million during Q1 2021.

During Q1 2022, the Company earned \$1.4 million (Q1 2021 – \$1.3 million) of interest income on collateralized loans in other investments in the enhanced return portfolio. The increase quarter over quarter is primarily due to an increase in the balance \$57.6 million during Q1 2022, compared to \$49.6 million during Q1 2021, partially offset by lower weighted average interest rates on the collateralized loans portfolio, 8.9% this quarter versus 9.5% Q1 2021.

b. Lender fee income

For Q1 2022, the Company amortized \$2.3 million (Q1 2021 – \$2.1 million) of lender fees into income. The Company also recorded non-refundable upfront cash lender fees of \$2.5 million for Q1 2022 (Q1 2021 – \$2.1 million). While new net mortgage fundings were \$126.0 million higher in Q1 2022 than in Q1 2021, Q1 2021 non-refundable upfront cash lender fees included \$150 of additional renewal fees and \$570 of forbearance fees.

The quarterly weighted average lender fee on new and renewed mortgages was 1.2% during the quarter (Q1 2021 – 0.9%), while the quarterly weighted average lender fee on new mortgages only was 1.2% (Q1 2021 – 1.0%).

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

c. Other income (loss)

During Q1 2022, the Company earned other income of \$91 (Q1 2021 – \$46) , primarily attributable to bank interest income, miscellaneous income and dividend income.

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

During Q1 2022, the Company incurred on fair value loss and other income on financial assets measured at FVTPL of \$103 (Q1 2021 – gain \$479). The Company earned interest income on net mortgage investments measured at FVTPL of \$616 (Q1 2021 – \$595), offset by decrease in fair value of mortgage investments classified as measured at FVTPL of \$946 (Q1 2021 – \$116).

Net rental income from investment properties

The net rental income from investment properties for Q1 2022 was \$382 (Q1 2021 – \$348), remaining relatively consistent quarter-over-quarter due to maintained occupancy and rental rates.

Expenses**Management, Servicing and Arrangement Fees**

The management agreement has a term of 10 years and is automatically renewed for successive five year terms at the expiration of the initial term and pays (i) management fee 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 ("Arrangement Fee") if such syndication occurs within 90 days of closing of the mortgage. The Arrangement Fee will not apply to any renewal of existing mortgage investments which already include syndicated senior and subordinated components. The Manager may make an annual election, subject to approval of the independent Directors of the Board, to receive the Arrangement Fee in common shares of the Company instead of cash.

For Q1 2022, the Company incurred management fees of \$2.9 million (Q1 2021 – \$2.9 million). The average gross assets were \$1,342.6 million in Q1 2022, compared to \$1,234.8 million in Q1 2021. For Q1 2022, the Company incurred \$150 (Q1 2021 – \$192) in servicing fees, resulting from marginally lower a-note syndications. For Q1 2022, Arrangement Fees of \$423 paid by borrower were retained by the Manager (Q1 2021 – \$311).

Management's Discussion and Analysis

For the three months and year ended March 31, 2022

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

General and administrative

For Q1 2022, the Company incurred general and administrative expenses of \$501 (Q1 2021 – \$512). General and administrative expenses consist mainly of audit fees, professional fees, director fees, other operating costs and administration of the mortgage and other investments portfolio.

Interest on credit facility – mortgage investments

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q1 2022, included in financing costs is interest on the credit facility \$3.2 million (Q1 2021 – \$2.6 million), realized loss on the Contract of nil (Q1 2021 – \$886) and financing costs amortization of \$204 (Q1 2021 – \$142). The unrealized fair value relating to the Contract was recorded at FVTPL in accordance with IFRS, and expired in December 2021. For Q1 2022, included in financing costs is unrealized fair value gain of nil (Q1 2021 – gain of \$977). The average credit utilization in Q1 2022 was \$504.5 million compared to \$458.9 million in Q1 2021. The increase of interest expense over the comparable 2021 period is related to the higher average utilization rate on the facility due higher average net mortgage investments in the period.

Interest on credit facility – investment properties

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For the three months ended March 31, 2022, included in financing costs is interest on the credit facility of \$184 (Q1 2021 – \$216) and financing costs amortization of \$11 (Q1 2021 – \$12).

Financing cost on convertible debentures

The Company has \$46.0 million of 5.00% convertible unsecured subordinated debentures, \$55.0 million of 5.25% convertible unsecured subordinated debentures, and \$45.0 million of 5.30% convertible unsecured subordinated debentures outstanding as at March 31, 2022. 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,	
	2022	2021
Interest on the convertible debentures	\$ 1,908	\$ 1,223
Amortization of issue costs and accretion of the convertible debentures	365	231
Total financing cost on convertible debentures	\$ 2,273	\$ 1,454

Management's Discussion and Analysis

For the three months and year ended March 31, 2022

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

Earnings per share

For Q1 2022, basic earnings per share was \$0.16 and diluted earnings per share was \$0.16. (Q1 2021 – \$0.19 basic and diluted earnings per share). For Q1 2022, basic and diluted adjusted earnings per share was \$0.17. (Q1 2021 – \$0.17 basic and diluted adjusted earnings per share).

In accordance with IFRS, 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 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.

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, 2022	December 31, 2021
Mortgage investments, excluding mortgage syndications	\$ 1,263,848	\$ 1,159,210
Mortgage syndications	475,502	444,429
Mortgage investments, including mortgage syndications	1,739,350	1,603,639
Mortgage syndication liabilities	(475,502)	(444,429)
	1,263,848	1,159,210
Interest receivable	(12,545)	(10,824)
Unamortized lender fees	8,497	8,278
Allowance for mortgage investments loss	3,541	2,970
Net mortgage investments	\$ 1,263,341	\$ 1,159,634

Net mortgage investments statistics and ratios¹	Three months ended		Year ended
	March 31, 2022	March 31, 2021	December 31, 2021
Total number of mortgage investments	115	117	109
Average net mortgage investment	\$ 10,542	\$ 9,977	\$ 10,942
Average net mortgage investment portfolio	\$ 1,144,722	\$ 1,138,039	\$ 1,067,598
Weighted average interest rate for the period	6.6 %	7.3 %	7.1 %
Weighted average lender fees for the period	1.2 %	0.9 %	0.8 %
Turnover ratio	11.4 %	13.7 %	65.4 %
Average remaining term to maturity (years)	1.1	1.0	1.0
Net mortgage investments secured by cash-flowing properties	90.3 %	86.7 %	88.3 %
Weighted average loan-to-value	71.3 %	68.8 %	70.1 %

¹ Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended March 31, 2022

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, 2022		December 31, 2021	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
Interest in first mortgages	106	\$ 1,169,120	98	\$ 1,080,376
Interest in second and third mortgages ¹	12	94,221	11	79,258
	118	\$ 1,263,341	109	\$ 1,159,634

¹Included in the Company's interest in second and third mortgages as at March 31, 2022 was \$42.7 million of the net mortgage investments in which the Company holds a subordinated position (December 31, 2021 - \$41.8 million). The Company's syndicated partners who hold a senior position as at March 31, 2022 was \$19.3 million (December 31, 2021 - \$69.3 million).

b. Region	March 31, 2022		December 31, 2021	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
Ontario	40	\$ 326,827	41	\$ 340,195
British Columbia	25	284,980	25	307,401
Alberta	9	109,395	10	122,707
Quebec	35	511,542	24	360,143
Other (Saskatchewan, Nova Scotia, Manitoba and New Brunswick)	9	30,597	9	29,188
	118	\$ 1,263,341	109	\$ 1,159,634

c. Maturity	March 31, 2022		December 31, 2021	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
2022	37	\$ 460,211	48	\$ 595,530
2023	57	531,267	53	489,299
2024	22	263,050	7	70,305
2025	2	8,813	1	4,500
	118	\$ 1,263,341	109	\$ 1,159,634

d. Asset Type / WALTV at origination ³	March 31, 2022			December 31, 2021		
	Number	Net Mortgage Investments	WALTV at origination ³	Number	Net Mortgage Investments	WALTV at origination ³
Multi-Residential ¹	75	\$ 698,247	71.8%	64	\$ 533,844	72.3%
Retail	13	183,722	71.3%	14	215,977	72.1%
Unimproved Land ²	4	62,754	54.6%	6	72,350	52.3%
Office	7	79,677	62.4%	6	76,994	62.5%
Retirement	3	106,584	77.6%	4	132,834	75.2%
Industrial	11	78,901	64.2%	9	51,402	67.6%
Single-Residential	1	1,574	69.5%	2	23,929	69.4%
Self-Storage	1	830	80.9%	1	830	80.9%
	115	1,212,289	70.3%	106	1,108,160	70.3%
Net mortgage investments measured at FVTPL	3	51,052	n/a	3	51,474	n/a
	118	\$ 1,263,341		109	\$ 1,159,634	

¹ Includes 9 construction loans (December 31, 2021 - 10) totaling \$38.9 million (December 31, 2021 - \$56.6 million). Construction loans are provided for the purposes of building a new asset.

² Unimproved land loans are provided to non-income producing properties that does not contemplate construction during the loan period.

³ Weighted average loan-to-value measured at time of origination.

Management's Discussion and Analysis

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Enhanced return portfolio

As at	March 31, 2022	December 31, 2021
Collateralized loans, net of allowance for credit loss	\$ 54,240	\$ 58,000
Finance lease receivable, measured at amortized cost	6,020	6,020
Investment, measured at FVTPL	4,608	4,985
Indirect real estate development, measured using equity method:		
Investment in Joint Venture	2,225	2,225
Total Other Investments	67,093	71,230
Investment properties	44,168	44,063
Credit facility (investment properties)	(30,683)	(30,690)
Net equity in investment properties	13,485	13,373
Total Enhanced Return Portfolio	\$ 80,578	\$ 84,603

During Q1 2022, the Company earned \$1.4 million (Q1 2021 - \$1.3 million) of interest income on collateralized loans in other investments in the enhanced return portfolio.

During Q1 2022, the Company earned lender fee income on other investments, net of fees relating to mortgage syndication liabilities, of \$54 (Q1 2021 - \$110). During Q1 2022, the Company received \$100 in lender fees from other investments (Q1 2021 - \$47), which are amortized to lender fee income over the term of the related mortgage investments using the effective interest rate method.

During Q4 2017, the Company entered into a 20-year emphyteutic lease on a foreclosed property held for sale in Quebec, which had a fair value of \$5.4 million at the time of the transaction. Refer to note 4(e) of the Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2022 and 2021.

On August 16, 2017, the Company acquired a 20.46% undivided beneficial interest in the Saskatchewan Portfolio which is comprised of 14 investment properties totaling 1,079 units located in Saskatoon and Regina, Saskatchewan for a total purchase price of \$201.7 million (the Company's share is \$41.3 million). As at March 31, 2022, the Company's share of the investment properties has an aggregate fair value of \$44.2 million (December 31, 2021 - \$44.1 million) and are pledged as security for the credit facility of the co-ownership. The Company is entitled to receive incremental profits from the excess returns generated over certain thresholds. On April 28, 2022 the Company successfully sold 100% of its interest in the Saskatchewan portfolio for proceeds approximating the carrying value.

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 to 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. The Company has mortgage syndication liabilities of \$475.5 million (December 31, 2021 - \$444.4 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.

Management's Discussion and Analysis

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Allowance for Credit Losses (“ACL”)

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on our mortgage and other investments. The allowance for credit losses amounted to \$4.5 million as at March 31, 2022 (December 31, 2021 – \$3.9 million), of which \$3.5 million (December 31, 2021 – \$3.0 million) was recorded against mortgage investments and \$977 (December 31, 2021 – \$898) was recorded against other investments.

	As at March 31, 2022				As at December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments								
Mortgages, including mortgage syndications ¹	\$1,153,670	\$ —	\$ —	\$1,153,670	\$980,245	\$ —	\$ —	\$980,245
Mortgage syndication liabilities ¹	371,778	—	—	371,778	283,528	—	—	283,528
Net mortgage investments	781,892	—	—	781,892	696,717	—	—	696,717
Allowance for credit losses ²	1,296	—	—	1,296	882	—	—	882
	780,596	—	—	780,596	695,835	—	—	695,835
Other Mortgage Investments								
Mortgages, including mortgage syndications ¹	513,510	8,390	24,297	546,197	549,078	8,404	25,418	582,900
Mortgage syndication liabilities ¹	106,177	—	—	106,177	163,133	—	—	163,133
Net mortgage investments	407,333	8,390	24,297	440,020	385,945	8,404	25,418	419,767
Allowance for credit losses ²	286	53	1,906	2,245	283	52	1,753	2,088
	407,047	8,337	22,392	437,776	385,662	8,352	23,665	417,679
Other loan Investments								
Mortgages, including mortgage syndications ¹	55,366	—	—	55,366	58,999	—	—	58,999
Mortgage syndication liabilities ¹	—	—	—	—	—	—	—	—
Net mortgage investments	55,366	—	—	55,366	58,999	—	—	58,999
Allowance for credit losses ²	977	—	—	977	898	—	—	898
	\$ 54,389	\$ —	\$ —	\$ 54,389	\$ 58,101	\$ —	\$ —	\$ 58,101

¹Including interest receivable

²Allowance for credit losses in finance lease receivable (note 4(e)) and unadvanced commitments (note 4(a)(b)(c)(d)) are all considered to be in Stage1 with minimal ACL.

Management's Discussion and Analysis

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

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

	Three Months Ended March 31, 2022				Three Months Ended March 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments	882	—	—	882	\$ 967	\$ 91	\$ 1,405	\$ 2,463
Allowance for credit losses:								
Remeasurement	95	—	—	95	(4)	2	38	36
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	977	—	—	977	963	93	1,443	2,499
Fundings	434	—	—	434	62	—	—	62
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(115)	—	—	(115)	(48)	—	—	(48)
Balance at end of period	1,296	—	—	1,296	977	93	1,443	2,513
Other Mortgage Investments	283	52	1,753	2,088	293	—	954	1,247
Allowance for credit losses:								
Remeasurement	(4)	1	153	150	(4)	—	148	144
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	279	53	1,906	2,238	289	—	1,102	1,391
Fundings	25	—	—	25	10	—	—	10
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(18)	—	—	(18)	(5)	—	—	(5)
Balance at end of period	286	53	1,906	2,245	294	—	1,102	1,396
Other loan Investments	898	—	—	898	97	—	1,516	1,613
Allowance for credit losses:								
Remeasurement	84	—	—	84	(7)	—	103	96
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	982	—	—	982	90	—	1,619	1,709
Fundings	—	—	—	—	5	—	—	5
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(5)	—	—	(5)	—	—	—	—
Balance at end of period	\$ 977	\$ —	\$ —	\$ 977	\$ 95	\$ —	\$ 1,619	\$ 1,714

Management's Discussion and Analysis

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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 sponsor'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 strategy 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.

Default: Mortgage and loan investments that are 90 days past due on interest payment or maturity date 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.

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

	As at March 31, 2022				As at December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments								
Low risk	\$ 235,421	\$ —	\$ —	\$ 235,421	\$ 140,125	\$ —	\$ —	\$ 140,125
Medium-Low risk	456,778	—	—	456,778	474,200	—	—	474,200
Medium-High risk	84,733	—	—	84,733	76,608	—	—	76,608
High risk	4,960	—	—	4,960	5,784	—	—	5,784
Default	—	—	—	—	—	—	—	—
Net	781,892	—	—	781,892	696,717	—	—	696,717
Allowance for credit losses	1,296	—	—	1,296	882	—	—	882
Mortgage investments¹	780,596	—	—	780,596	695,835	—	—	695,835
Other Mortgage Investments								
Low risk	38,477	—	—	38,477	9,120	—	—	9,120
Medium-Low risk	313,679	—	—	313,679	321,997	—	—	321,997
Medium-High risk	55,177	8,390	—	63,567	54,828	8,404	—	63,232
High risk	—	—	—	—	—	—	—	—
Default	—	—	24,298	24,298	—	—	25,418	25,418
Net	407,333	8,390	24,298	440,021	385,945	8,404	25,418	419,767
Allowance for credit losses	286	53	1,906	2,245	283	52	1,753	2,088
Mortgage investments¹	407,047	8,337	22,392	437,776	385,662	8,352	23,665	417,679
Other loan Investments								
Low risk	—	—	—	—	—	—	—	—
Medium-Low risk	—	—	—	—	—	—	—	—
Medium-High risk	—	—	—	—	—	—	—	—
High risk	55,366	—	—	55,366	58,999	—	—	58,999
Default	—	—	—	—	—	—	—	—
Net	55,366	—	—	55,366	58,999	—	—	58,999
Allowance for credit losses	977	—	—	977	898	—	—	898
Other loan Investments¹	\$ 54,389	\$ —	\$ —	\$ 54,389	\$ 58,101	\$ —	\$ —	\$ 58,101

¹ Net of allowance and mortgage syndications

Management's Discussion and Analysis

For the three months and year ended March 31, 2022

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

Net working capital

Net working capital increased by \$8.5 million to \$17.9 million at March 31, 2022 from \$9.5 million at December 31, 2021.

Credit facility (mortgage investments)

The Company originally had a \$400 million in revolving credit facility with 10 Canadian banks and by exercising the accordion features on February 13, 2018, November 16, 2018 and on September 18, 2020, the Company increased the aggregate credit limit to \$535 million. The facility is secured by a general security agreement over the Company's assets and its subsidiaries and had a maturity date of December 18, 2021. On September 18, 2020, the Company entered into an amendment to its existing revolving credit facility ("Sixth Amending Credit Agreement") in order to, among other things, bringing the aggregate limit under the credit facility by \$35 million to a total of \$535 million. General terms of the credit facility remain unchanged. On May 10, 2021, the Company entered into an amendment to its existing revolving credit facility ("Seventh Amending Credit Agreement") in order to, among other things extend the maturity date to May 10, 2023, and amend the Company's option to increase the aggregate credit limit to \$635 million. On February 10, 2022, the Company amended its existing revolving credit facility ("Eighth Amending Credit Agreement") to increase the aggregate limit under the credit facility by \$40 million to \$575 million and extend the facility for another two-year term to February 10, 2024.

The rates of interest and fees of the Eighth Amending Credit Agreement are either at the prime rate of interest plus 1.00% per annum (December 31, 2021 – prime rate of interest plus 1.00% per annum) or bankers' acceptances with a stamping fee of 2.00% (December 31, 2021 – 2.00%) and standby fee of 0.40% per annum (December 31, 2021 – 0.40%) on the unutilized credit facility balance. As at March 31, 2022, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the Eighth Amending Credit Agreement is \$599.6 million, borrowing on the facility is subject to the aggregate limit of \$575.0 million.

The Company had a 2-year interest rate swap contract (the "Contract") with three Canadian banks with notional value of \$250.0 million, which matured in December 2021 and has not been renewed. Under the terms of the Contract, the Company was required to pay fixed rate of 2.02% and receive floating rate based on 1-month banker's acceptance. Net realized and unrealized fair value gain or loss from the Contract is recognized in statement of net income and comprehensive income.

During the three months ended March 31, 2022, the Company incurred financing costs of \$742. The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

Management's Discussion and Analysis

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Credit facility (investment properties)

Concurrently with the Saskatchewan Portfolio acquisition, the Company and the co-owners originally entered into a credit facility agreement with a Schedule 1 Bank with a maturity date of August 10, 2019. Under the terms of the agreement, the co-ownership has a maximum available credit of \$162.6 million. The gross initial advance on the credit facility was \$144.6 million. The Company's share of the initial advance was \$29.6 million plus \$109 of unamortized financing costs.

On October 9, 2019, the credit facility agreement was further amended (the "Amended and Restated Credit Agreement") to establish Tranche A, Tranche B and Tranche C credit facilities (the "Credit Facilities"). Under the amended terms, the maximum available credit is \$150.0 million. As at March 31, 2022, the co-owners borrowed \$150.0 million from the Credit Facilities. The Company's share of the outstanding amount is \$30.7 million. The original credit facility provided the co-owners with the option to borrow at either the prime rate of interest plus 1.50% or at the bankers' acceptances with a stamping fee of 2.50% ("Canadian Dollar Loans"), or at LIBOR plus 2.50%. The Amended and Restated Credit Agreement was extended on October 8, 2021 to expire on January 10, 2022. Subsequent to December 31, 2021, it was extended until May 11, 2022. Under the Amended and Restated Credit Agreement, the Credit Facilities consist of the following:

- 1) Tranche A credit facility provides the co-owners an option to borrow at either the prime rate of interest plus 1.00% or at bankers' acceptances with a stamping fee of 2.00% ("Canadian Dollar Loans"), or at LIBOR plus 2.00%. The credit facility is secured by a first charge on specific assets with a gross carrying value of \$31.6 million. The Company's share of Tranche A is \$6.5 million.
- 2) Tranche B credit facility comprises of a commercial mortgage loan for certain properties defined as Tranche B properties (the "Tranche B Properties") in the Amended and Restated Credit Agreement. The facility provides the co-owners an option to borrow at either the prime rate of interest plus 1.00% or at bankers' acceptances with a stamping fee of 2.00% ("Canadian Dollar Loans"), or at LIBOR plus 2.00%. The Tranche B credit facility is secured by a first charge on the Tranche B Properties with a gross carrying value of \$39.7 million. The Company's share of Tranche B is \$8.1 million.
- 3) Tranche C credit facility comprises of a commercial mortgage loan for certain properties defined as Tranche C properties (the "Tranche C Properties") in the Amended and Restated Credit Agreement. The facility provides the co-owners an option to borrow at either the prime rate of interest plus 1.00% or at bankers' acceptances with a stamping fee of 2.00% ("Canadian Dollar Loans"), or at LIBOR plus 2.00%. The Tranche C credit facility is secured by a first charge on the Tranche C Properties with a gross carrying value of \$78.6 million. The Company's share of the carrying value is \$16.1 million.

The co-owners of the Saskatchewan Portfolio (note 5 of the Financial Statement) are each individually subject to financial covenants outlined in the investment properties credit facility agreement. Notwithstanding, the lender's recourse is limited to each co-owner's proportionate interest in the investment properties credit facility. On April 28, 2022, in conjunction with the sale of the Saskatchewan Portfolio, the Purchaser of the Saskatchewan Portfolio assumed the credit facility - investment properties in exchange for a guarantee from the Company which matures in October 2022.

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Convertible debentures

As at March 31, 2022, and March 31, 2021, the Company's obligations under the convertible unsecured debentures are as follows:

Series	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price (/share)	Equity Component	Three months ended March 31,	
						2022	2021
February 2017 Debentures	5.45 %	March 31, 2022	March 31 and September 30	\$ 10.05	\$ 607	\$ —	\$ 46,000
June 2017 Debentures	5.30 %	June 30, 2024	June 30 and December 31	11.10	560	45,000	45,000
July 2021 Debentures	5.25 %	July 31, 2028	January 31 and July 31	11.40	1,107	55,000	—
December 2021 Debentures	5.00 %	December 31, 2028	June 30 and December 31	11.40	1,405	46,000	—
Unsecured Debentures, principal						146,000	91,000
Unamortized financing cost and amount allocated to equity component						(7,899)	(1,807)
Debentures, end of period						138,101	89,193

Interest costs related to the convertible 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,	
	2022	2021
Interest on the convertible debentures	\$ 1,908	\$ 1,223
Amortization of issue costs and accretion of the convertible debentures	365	231
Total	\$ 2,273	\$ 1,454

(a) On February 7, 2017, the Company completed a public offering of \$40,000, plus an overallotment option of \$6,000, of 5.45% convertible unsecured subordinated debentures for net proceeds of \$43,663 (the "February 2017 Debentures"). The discount on the debentures is being accreted such that the liability at maturity will equal the face value of \$46,000. The issue costs of \$2,240 were proportionately allocated to the liability and equity components.

On July 23, 2021 the February 2017 Debentures were redeemed at par, plus accrued and unpaid interest. The aggregate principal amount of the February 2017 Debentures outstanding was \$46,000 on redemption date. The Company drew \$40,000 from its credit facility and used cash on hand to fund the redemption and associated interest.

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- (b) On June 13, 2017, the Company completed a public offering of \$40,000, plus an over-allotment option of \$5,000 on June 27, 2017, of 5.30% convertible unsecured subordinated debentures for net proceeds of \$42,774 (the "June 2017 Debentures"). The June 2017 Debentures were redeemable on and after June 30, 2020, but prior to June 30, 2022. The June 2017 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, 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. On or after June 30, 2022 and prior to the maturity date, the June 2017 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 \$2,226 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.

- (c) On July 8, 2021 the Company completed a public offering of \$50,000, plus an over-allotment option of \$5,000 on July 15, 2021, of 5.25% convertible unsecured subordinated debentures for net proceeds of \$52,140 (the "July 2021 Debentures"). The July 2021 Debentures are redeemable on or after July 31, 2024 and prior to July 31, 2026. The July 2021 Debentures may be redeemed, 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. 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 \$2,860 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.

- (d) On December 3, 2021 the Company completed a public offering of \$40,000 plus an over-allotment option of \$6,000 on December 10, 2021, of 5.00% convertible unsecured subordinated debentures for net proceeds of \$43,765 (the "December 2021 Debentures"). The December 2021 Debentures are redeemable on or after December 31, 2024 and prior to December 31, 2026. The December 2021 Debentures may be redeemed, 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.

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.

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The issue costs of \$2,235 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 of and 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 June 10, 2021, the Company filed base shelf prospectus in all provinces and territories of Canada.

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

The Company announced on June 18, 2021 that it has established an ATM Program which allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to \$90 million to the public from time to time, at the Company's discretion. Sales of the common shares under the equity distribution agreement were 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 were at the market prices prevailing at the time of sale, and therefore prices varied between purchasers and over time.

The Company currently intends to use the net proceeds of the ATM Program for general investment and working capital purposes, including, if and as required, repaying amounts owing under its secured revolving credit facility. The credit facility is used for day to day working capital requirements of the Company and for other general corporate purposes, particularly the funding of mortgage loans.

During Q1 2022, the Company issued 1,248,200 of common shares for gross proceeds of \$11.9 million at an average price of \$9.55 per common share and paid \$198 in commissions to the agent, pursuant to the equity distribution agreement. For YTD 2022, the Company issued 1,248,200 of common shares for gross proceeds of \$11.9 million at an average price of 9.55 per common share and paid \$198 in commissions to the agent, pursuant to the equity distribution agreement.

(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.

For the three months ended March 31, 2022, nil common shares were purchased on the open market (Q1 2021 – 47,808) for nil (YTD 2021 – \$416), at average price of \$0.00 (YTD 2021 – 8.69) per common share. Additionally, the Company issued 133,453 common shares from treasury (Q1 2021 – 90,042) and retained \$1,251 in dividends (YTD 2021 – \$782), at an average price of \$9.38 (YTD 2021 – \$8.69) per common share.

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(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. For the three months ended March 31, 2022, the Company declared dividends of \$14.3 million, or \$0.17 per common share (Q1 2021 – \$14.0 million, \$0.17 per share).

As at March 31, 2022, \$4.8 million in aggregate dividends (December 31, 2021 – \$4.7 million) was payable to the holders of common shares by the Company. Subsequent to March 31, 2022, the Board of Directors of the Company declared dividends of \$0.0575 per common share to be paid on April 14, 2022 to the common shareholders of record on March 31, 2022.

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

On April 13, 2021, the Company announced that the TSX approved the Company's normal course issuer bid (the "NCIB") to repurchase for cancellation up to 8,030,909 common shares over a 12-month period. Repurchases under the NCIB commenced on April 15, 2021 and continued until April 14, 2022, when the bid expired. Year-to-date 2022 the Company did not purchase shares under this plan.

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 will be 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 2022, 9,440 units were issued (Q1 2021 - 9,361) and as at March 31, 2022, 154,790 units were outstanding (December 31, 2021 – 145,350). DSU expense for the three months ended March 31, 2022 is \$115 (Q1 2021 – \$83). As at March 31, 2022, \$115 (December 31, 2021 – \$101) in compensation was granted in DSUs, which will be issued subsequent to March 31, 2022.

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STATEMENT OF CASH FLOWS**Cash from operating activities**

Cash from operating activities for Q1 2022 was \$17.0 million (Q1 2021 – \$19.3 million).

Cash used in financing activities

Cash used in financing activities for Q1 2022 consisted of the Company's net advances on the operating credit facility of \$96.0 million (Q1 2021 – \$7.7 million of net repayments). The Company paid interest on the debentures and credit facilities of \$5.9 million (Q1 2021 – \$5.0 million), paid common share dividends of \$13.0 million (Q1 2021 – \$12.8 million).

The Company received net proceeds from issuance of common shares under the ATM program of \$7.3 million (Q1 2021 - nil) and repurchased common shares under dividend reinvestment plan of nil (Q1 2021 – \$0.4 million). The net cash from financing activities for Q1 2022 was \$84.4 million (Q1 2021 – \$25.9 million used in financing activities).

Cash (used in) from investing activities

Net cash used in investing activities in Q1 2022 was \$103.9 million (Q1 2021 – \$6.8 million from investing activities) and consisted of the funding of net mortgage investments of \$294.2 million (Q1 2021 – \$157.6 million), offset by repayments of net mortgage investments of \$186.8 million (Q1 2021 – \$161.0 million), funding of other investments of \$579 (Q1 2021 – \$20.5 million), offset by repayments of other investments of \$4.1 million (Q1 2021 – \$24.0 million), and net addition to investment properties of \$105 (Q1 2021 – \$77).

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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 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net Investment Income on financial assets measured at amortized cost	\$22,677	\$22,378	\$22,042	\$23,390	\$22,439	\$23,958	\$23,917	\$24,023
Fair value (loss) gain and other income on financial assets measured at FVTPL	(103)	(7,404)	(3,577)	211	479	(14,918)	147	(2,053)
Loss on investment properties	—	(4,374)	—	—	—	—	—	—
Net rental income	382	389	386	376	348	373	344	376
Expenses	(4,241)	(3,761)	(3,404)	(5,177)	(3,895)	(5,560)	(4,181)	(4,119)
Income from operations	18,715	7,228	15,447	18,800	19,371	3,853	20,227	18,227
Financing costs:								
Financing cost on credit facilities	(3,560)	(4,045)	(4,040)	(4,746)	(3,903)	(4,397)	(4,291)	(4,482)
Financing cost on debentures	(2,273)	(1,767)	(1,981)	(1,543)	(1,454)	(1,919)	(2,306)	(2,199)
Fair value loss (gain) on derivative contract	—	(994)	(995)	(974)	(977)	(850)	(817)	(197)
Net income (loss) and comprehensive income (loss)	12,882	\$ 2,410	\$10,421	\$13,485	\$14,991	\$(1,613)	\$14,447	\$11,743
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME								
Net income (loss) and comprehensive income (loss)	\$12,882	\$ 2,410	\$10,421	\$13,485	\$14,991	\$(1,613)	\$14,447	\$11,743
Add: fair value (gain) loss on derivative contract (interest rate swap)	—	(994)	(995)	(974)	(977)	(850)	(817)	(197)
Add: net unrealized (gain) loss on financial assets measured at FVTPL	\$ 946	\$ 8,237	\$ 4,295	\$ 1,100	\$ 116	\$15,477	\$ 395	\$ 2,586
Add: net unrealized loss on investment properties	—	4,374	—	—	—	—	—	—
Adjusted net income and comprehensive income¹	\$13,828	\$14,027	\$13,721	\$13,611	\$14,130	\$13,014	\$14,025	\$14,132
PER SHARE INFORMATION								
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Earnings (loss) per share (basic)	\$ 0.16	\$ 0.03	\$ 0.13	\$ 0.17	\$ 0.19	\$ (0.02)	\$ 0.18	\$ 0.14
Earnings (loss) per share (diluted)	\$ 0.16	\$ 0.03	\$ 0.13	\$ 0.17	\$ 0.18	\$ (0.02)	\$ 0.18	\$ 0.14
Adjusted earnings per share (basic) ¹	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.16	\$ 0.17	\$ 0.17
Adjusted earnings per share (diluted) ¹	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.16	\$ 0.17	\$ 0.17
Distributable income per share ¹	\$ 0.18	\$ 0.20	\$ 0.17	\$ 0.20	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18
Adjusted distributable income per share ¹	\$ 0.18	\$ 0.20	\$ 0.17	\$ 0.19	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18

¹ Refer to non-IFRS measures section.

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

- i. 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;
- ii. 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;
- iii. The utilization of the credit facility to fund mortgage investments results in higher net interest income, which is partially offset by higher financing costs.

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RELATED PARTY TRANSACTIONS

As at March 31, 2022, due to Manager mainly includes management and servicing fees payable of \$1.2 million (December 31, 2021 - \$1.4 million).

During QTD Q1 2022 Arrangement Fees of \$423 paid by borrower were retained by the Manager (QTD Q1 2022 - \$311).

As at March 31, 2022, included in other assets is \$6.5 million (December 31, 2021 – \$4.2 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.

As at March 31, 2022, the Company has the following mortgage investments which a director or directors of the Company are also officers and part-owners of a syndication partner of these mortgages.

- A mortgage investment with a total gross commitment of \$11.6 million (December 31, 2021 – \$11.6 million). The Company's share of the commitment is \$931 (December 31, 2021 – \$931). For the three months ended March 31, 2022, the Company has recognized net interest income of \$26 (Q1 2021 – \$26) from this mortgage investment during the period.
- A mortgage investment with a total gross commitment of \$45.7 million (December 31, 2021 – \$45.7 million). The Company's share of the commitment is \$4.2 million (December 31, 2021 – \$4.2 million). For the three months ended March 31, 2022, the Company has recognized net interest income of \$74 (Q1 2021 – \$60) from this mortgage investment during the period.

As at March 31, 2022, the Company and Timbercreek Real Estate Finance U.S. Holding LP are related parties as they are managed by the Manager, and they have co-invested in 2 mortgages (December 31, 2021 – 2) totaling \$32.7 million (December 31, 2021 – \$33.2 million). The Company's share in these mortgage investments is \$9.7 million (December 31, 2021 – \$9.8 million).

As at March 31, 2022, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling \$4.6 million or €3.3 million (December 31, 2021 – \$5.0 million or €3.5 million), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.

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.

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.

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CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's unaudited interim condensed consolidated financial statements, 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. 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 potential effects of the COVID-19 pandemic, 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.

In response to the global COVID-19 pandemic, ongoing since March 2020, various measures were introduced by Canadian federal and provincial governments and other authorities to mitigate the transmission of COVID-19 and its variants, including social distancing recommendations, closure of non-essential businesses, occupancy limits in enclosed spaces, quarantines, and travel bans, most of which as of March 31, 2022 are currently no longer in effect. As a result of the continuously evolving circumstances surrounding COVID-19, some uncertainty still remains with the Company's future results. Most significantly the fact that it cannot predict how its borrowers will be impacted and therefore respond to the reinstatement of any restrictive measures and the impact on the Company's financial results and condition of the Company in future periods. To date, the Company has not experienced material changes in the collection of interest and repayments of principal, however, there is no certainty this will continue going forward. Accordingly, there remains some uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the consolidated financial statements. Given the evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the extent and severity of the COVID-19 pandemic and the impact it will have on the Company's estimate of allowance for credit losses and investments measured at FVTPL, both in the short term and in the long term.

The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements are as follows:

Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Company will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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The information about the assumptions made in measuring fair value is included in the following notes of the Company's interim condensed consolidated financial statements:

Note 4 – Mortgage and other investments, including mortgage syndications;

Note 5 – Investment properties; and

Note 18 – Fair value measurements.

Measurement of expected credit loss

The determination of the allowance for credit losses takes into account different factors and varies by nature of investment. These judgments 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 allowance of credit loss. Refer to note 4(d) of the Company's interim condensed consolidated financial statements.

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 investments.

Classification of mortgage and other 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 judgment 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.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in the unaudited condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2021, which were prepared in accordance with IFRS.

OUTSTANDING SHARE DATA

As at May 9, 2022, the Company's authorized capital consists of an unlimited number of common shares, of which 83,903,283 are issued and outstanding.

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.

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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 facilities. The Company has a borrowing ability of \$599.6 million through its credit facility – mortgage investments and \$30.7 million through its credit facility – investment properties and intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at March 31, 2022, the Company is in compliance with its credit facilities covenants and expects to remain in compliance going forward.

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

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The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at March 31, 2022, including expected interest payments:

	Carrying value	Contractual cash flow	Within a year	Following year	3–5 years	5 + Years
Accounts payable and accrued expenses	\$ 4,874	\$ 4,874	\$ 4,874	\$ —	\$ —	\$ —
Dividends payable	4,752	4,752	4,752	—	—	—
Due to Manager	1,170	1,170	1,170	—	—	—
Mortgage and other loans funding holdbacks	692	692	692	—	—	—
Prepaid mortgage and other loans interest	5,327	5,327	5,327	—	—	—
Derivative liability (interest rate swap contract)	—	—	—	—	—	—
Credit facility (mortgage investments) ¹	514,640	546,807	16,512	530,295	—	—
Credit facility (investment properties) ²	30,683	30,779	30,779	—	—	—
Convertible debentures ³	138,101	185,180	7,573	7,573	61,159	108,875
	\$ 700,239	\$ 779,581	\$ 71,679	\$ 537,868	\$ 61,159	\$ 108,875
Unadvanced mortgage commitments ⁴	—	406,006	406,006	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities ⁵	\$ 700,239	\$ 1,185,587	\$ 477,685	\$ 537,868	\$ 61,159	\$ 108,875

¹ Credit facility (mortgage investments) includes interest based upon March 2022 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on May 10, 2023.

² Credit facility (investment properties) includes interest based upon March 2022 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until April 28, 2022.

³ 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 June 30, 2024, July 31, 2028 and December 31, 2028.

⁴ Unadvanced mortgage commitments include syndication commitments of which \$235.8 million belong to the Company's syndicated partners.

⁵ The principal repayments of \$476.3 million mortgage syndication liabilities by contractual maturity date is shown net with mortgage investments.

As at March 31, 2022, the Company had a cash position of \$3,943 (December 31, 2021 – \$6,344) and an unutilized credit facility (mortgage investments) balance of \$59.0 million (December 31, 2021 – \$115.0 million). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities and the credit facilities.

As at March 31, 2022, unadvanced mortgage commitments under the existing mortgage investments, including mortgage syndications, amounted to \$406.0 million (December 31, 2021 – \$407.4 million) of which \$235.8 million (December 31, 2021 – \$253.5 million) belong to the Company's syndicated partners. The Company expects the syndication partners to fund their respective commitments.

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.

Management's Discussion and Analysis

For the three months and year ended March 31, 2022

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

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, convertible debentures, derivative liability (interest rate swap contract) and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of convertible debentures and mortgage syndication liabilities, the fair value of these financial liabilities approximate their carrying amounts due to their short-term nature. The fair value of mortgage syndication liabilities approximate 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, 2022, \$1,230.0 million of net mortgage investments and \$11.5 million of other investments bear interest at variable rates (December 31, 2021 – \$1,104.8 million and \$15.6 million, respectively). As of March 31, 2022 \$1,146.5 million of net mortgage investments have a "floor rate" (December 31, 2021 – \$1,048.0 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 would be a decrease in net income of \$2,210 (December 31, 2021 – \$46) or an increase in net income of \$4.6 million (December 31, 2021 – \$3.9 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.

The Company is also exposed to interest rate risk on the credit facilities, which have a balance of \$546.7 million as at March 31, 2022 (December 31, 2021 – \$450.7 million). During Q4 2019, the Company entered into the Contract (refer to note 6(a) of unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 and 2021) which reduced the exposure in interest rate risk. The contract matured in December 2021 and was not renewed. As at March 31, 2022, net exposure to interest rate risk was \$546.7 million (December 31, 2021 – \$450.7 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 by \$2.7 million (December 31, 2021 – \$2.3 million).

The Company's other assets, interest receivable, accounts payable and accrued expenses, prepaid mortgage 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.

Management's Discussion and Analysis

For the three months and year ended March 31, 2022

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

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 and credit facility investment properties 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, 2022, the Company has US\$7.1 million and €3.3 million in other investments denominated in foreign currencies (December 31, 2021 – US\$7.1 million and €3.5 million). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at March 31, 2022, the Company has one U.S. dollars currency contracts with an aggregate notional value of US\$7.0 million, at a weighted average forward contract rate of 1.2710, maturing in July 2022 and one Euro currency contract with an aggregate notional value of €3.5 million at a weighted average contract rate of 1.4624, maturing in April 2022.

The fair value of the foreign currency forward contracts as at March 31, 2022 is an asset of \$438 which is included in other assets. 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 mortgage 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 exposure to credit risk at March 31, 2022 relating to net mortgages and other investments amount to \$1,357.1 million (December 31, 2021 – \$1,248.3 million).

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 held also at a Schedule 1 bank, to be minimal.

The Company is exposed to credit risk from the collection of accounts receivable from tenants. The Manager routinely obtains credit history reports on prospective tenants before entering into a tenancy agreement.

Management's Discussion and Analysis

For the three months and year ended March 31, 2022

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

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 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.

Phone

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