

Management's Discussion and Analysis

Timbercreek Senior Mortgage Investment Corporation

For the three and nine months ended September 30, 2015



Timbercreek

Senior Mortgage Investment Corporation

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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 Senior Mortgage Investment Corporation (the "Company"). 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 the Manager, (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 of a quality that will generate returns that meet and/or exceed the Company's targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in 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 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 Timbercreek Asset Management Inc. (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 November 9, 2015. 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.timbercreekseniormic.com. Additional information about the Company, including its AIF, can be found on the SEDAR website at www.sedar.com.

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BUSINESS OVERVIEW

Timbercreek Senior Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The registered office of the Company is 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2. The Company is incorporated under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011. The common shares of the Company are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol 'MTG'.

The Company invests in first mortgage investments selected and determined to be high quality by the Manager, 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).

The fundamental investment objectives of the Company are to (i) preserve shareholder capital of the Company and (ii) provide shareholders with a stable stream of monthly dividends. The Company intends to meet its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage investments secured directly by multi-residential, retirement, office, retail and industrial real property across Canada, primarily located in urban markets and surrounding areas.

The Company has entered into a management agreement with the Manager dated September 13, 2013. The Manager is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services to the Company.

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three and nine months ended September 30, 2015. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 and 2014 and the consolidated financial statements for the years ended December 31, 2014 and 2013, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as applicable to interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting.

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 the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com.

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NON-IFRS MEASURES

The Company prepares and releases condensed consolidated interim 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"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of Company's ability to earn and distribute cash dividends to shareholders and to evaluate its performance.

These non-IFRS measures should not be construed as alternatives to net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS as indicators of the Company's performance.

- 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;
- Average net mortgage investment portfolio – represents the daily average of net mortgage investments for the stated period;
- Weighted average loan-to-value – 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;
- Turnover ratio – represents total mortgage repayments during the stated period, expressed as a percentage of the average net mortgage investments for the stated period;
- Leverage – represents the total credit facility balance divided by total assets less mortgage syndication liabilities for the stated period;
- 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 stated period;
- Weighted average lender fees – 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 net 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;
- Targeted dividend yield – represents the average 2-Year Government of Canada Bond Yield for the stated period plus 350 basis points;
- Actual dividend yield – represents the annualized total per share dividend for common shares divided by the trading close price as at the reporting date;

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- Expense ratio – represents total expenses (excluding financing cost, and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities; and,
- Payout ratio – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.

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RECENT DEVELOPMENTS AND OUTLOOK

The Company has performed very well in the quarter and continues to maintain what we believe to be the highest-quality portfolio of mortgage investments in the market. Despite the perceived head-winds of sustained low bond yields, the Company has deployed over \$225 million in mortgages over the first nine months of the year without compromising the quality of the portfolio and while generating revenue that exceeded its dividend obligation. This strong investment activity has also allowed the company to grow its portfolio for the sixth consecutive quarter.

As we have noted in previous quarters, our business continues to stand-alone in the market with respect to quality. While others may be attracted to the higher yields of speculative lending, we are maintaining our focus on lending primarily against institutional-grade real estate with rental income in place to service the debt. This conservative strategy is designed to protect investors' capital as cash-flowing real estate has historically been more liquid in up and down markets versus more speculative investments that depend on strong market growth conditions. Over 85% of the portfolio is currently secured by cash-flowing real estate, with only 5% exposure to land, the lowest exposure amongst competitors in the market and over 50% of the portfolio with an average loan-to-value of 55%. We have also been more cautious with investments in the office sector where vacancy rates are growing in Canada. While we do continue to see strong opportunities in this sector in other regions, the Company's exposure to office has reduced from 20% at the end of 2014 to just 12% at the end of the quarter as we assess these opportunities.

Turnover in the portfolio was healthy in the third quarter with \$71 million in repayments received, of which 14% were paid ahead of their contractual term. This repayment activity further demonstrates the quality of our loans and the strength of our underwriting. While we have not experienced any material new capital or competition entering the market, the sustained low interest rate environment continues to put pressure on our lending rates. Despite this, the Company was able to deploy all of the capital repaid in the quarter at a weighted average interest rate that was slightly higher than the previous quarter and with a lower weighted average loan-to-value.

Since inception, the Company has not experienced any loss of principal or interest while maintaining a consistent annual dividend of \$0.60 per share. At the same time, our conservative approach to investing is specifically designed to preserve investor capital. As a result, we believe the Company continues to provide a very strong risk-adjusted yield for investors.

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FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at	September 30, 2015	September 30, 2014	December 31, 2014
KEY FINANCIAL POSITION INFORMATION			
Mortgage investments, including mortgage syndications	\$ 506,434	\$ 465,143	\$ 483,209
Total assets	\$ 507,183	\$ 468,030	\$ 484,288
Credit facility	\$ 186,008	\$ 129,225	\$ 142,076
Total liabilities	\$ 219,183	\$ 179,377	\$ 195,743
CAPITAL STRUCTURE			
Shareholders' equity	\$ 288,000	\$ 288,653	\$ 288,544
Credit facility limit	\$ 190,000	\$ 145,000	\$ 190,000
Credit facility balance	\$ 186,008	\$ 129,225	\$ 142,076
Leverage ¹	39.1%	30.7%	32.9%
COMMON SHARE INFORMATION			
Number of common shares outstanding	31,458,254	31,556,608	31,556,608
Closing trading price	\$ 7.48	\$ 9.14	\$ 8.71
Market capitalization	\$ 235,308	\$ 288,427	\$ 274,858

OPERATING RESULTS

	Three months ended		Nine months ended		Year ended
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	December 31, 2014
Net interest income	\$ 7,564	\$ 6,639	\$ 22,630	\$ 20,985	\$ 28,159
Income from operations	\$ 6,212	\$ 5,481	\$ 18,639	\$ 17,310	\$ 23,211
Net income and comprehensive income	\$ 4,800	\$ 4,596	\$ 14,397	\$ 14,092	\$ 18,717
Earnings per share (basic and diluted)	\$ 0.15	\$ 0.15	\$ 0.46	\$ 0.45	\$ 0.59
Dividends to common shareholders	\$ 4,727	\$ 4,733	\$ 14,194	\$ 14,200	\$ 18,934
Distributable income	\$ 4,819	\$ 4,897	\$ 14,581	\$ 13,789	\$ 18,362
Distributable income per share (basic and diluted) ¹	\$ 0.15	\$ 0.16	\$ 0.46	\$ 0.44	\$ 0.58
Targeted dividend yield ¹	3.94%	4.61%	4.05%	4.56%	4.55%
Actual dividend yield ¹	7.96%	6.51%	8.04%	6.58%	6.89%
Payout ratio ¹	98.1%	96.7%	97.4%	103.0%	103.1%
Dividends per common share:	\$ 0.15	\$ 0.15	\$ 0.45	\$ 0.45	\$ 0.60

¹ Refer to non-IFRS Measures section, where applicable.

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For the three months ended September 30, 2015 ("Q3 2015") and September 30, 2014 ("Q3 2014")

- The Company advanced four new net mortgage investments (Q3 2014 – 15) totalling \$37.2 million (Q3 2014 – \$103.6 million), had additional advances on existing net mortgage investments totalling \$42.7 million (Q3 2014 – \$7.9 million) and received full repayments on nine net mortgage investments (Q3 2014 – four) and partial pay downs totalling \$71.3 million (Q3 2014 – \$34.9 million), resulting in net mortgage investments of \$473.8 million as at September 30, 2015 (June 30, 2015 – \$465.2 million).
- Non-refundable lender fees earned by the Company were \$0.4 million (Q3 2014 – \$1.0 million) or weighted average lender fees of 0.6% (Q3 2014 – 0.7%). The Company generates lender fees predominantly from fundings of new mortgage investments which were lower in Q3 2015 by \$66.4 million in relation to Q3 2014 coupled with a slightly lower average fee.
- Net interest income generated by the Company was \$7.6 million (Q3 2014 – \$6.6 million), an increase of \$1.0 million or 13.9% over Q3 2014. The increase in net interest income is mainly due to an increase of approximately \$83.1 million in the average net mortgage investments portfolio during Q3 2015 relative to Q3 2014. This was due to average credit facility utilization of \$168.4 million (Q3 2014 – \$89.8 million). This increase was reduced by a lower weighted average interest rate for the period of 6.1% (Q3 2014 – 6.3%) and lower amortization of lender fees.
- Income from operations generated by the Company was \$6.2 million (Q3 2014 – \$5.5 million), an increase of \$0.7 million or 13.3% over Q3 2014 due to an increase in net interest income, offset in part by increased management fees.
- The Company generated net income and comprehensive income of \$4.8 million (Q3 2014 – \$4.6 million), an increase of \$0.2 million or 4.4%, from Q3 2014, resulting in earnings per share of \$0.15 (Q3 2014 – \$0.15).
- The Company generated distributable income of \$4.8 million (Q3 2014 – \$4.9 million) in the quarter resulting in a payout ratio of 98.1% (Q3 2014 – 96.7%).
- The Board of Directors declared dividends to common shareholders of \$4.7 million (Q3 2014 – 4.7 million), \$0.15 (Q3 2014 - \$0.15) per share
- The Company acquired 105,454 common shares (Q3 2014 – nil) for cancellation under its normal course issuer bid at a cost of \$0.8 million (Q3 2014 – nil) at an average price of \$7.60 per common share.

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For the nine months ended September 30, 2015 ("YTD 2015") and September 30, 2014 ("YTD 2014")

- The Company advanced 23 new net mortgage investments (YTD 2014 – 27) totalling \$155.7 million (YTD 2014 – \$159.9 million), had additional advances on existing net mortgage investments totalling \$69.9 million (YTD 2014 – \$43.1 million) and received full repayments on 23 net mortgage investments (YTD 2014 – 24) and partial pay downs totalling \$183.1 million (YTD 2014 – \$186.8 million), resulting in net mortgage investments of \$473.8 million as at September 30, 2015 (December 31, 2014 – \$431.3 million). Overall, the net mortgage investments portfolio grew by 9.9% in YTD 2015.
- Non-refundable lender fees earned by the Company were \$1.6 million (YTD 2014 – \$1.4 million) or weighted average lender fees of 0.8% (YTD 2014 – 0.7%). The increase in lender fees is mainly due to higher average lender fees received on new mortgage investments. This was reduced by lower new net mortgage investments in YTD 2015 in relation to YTD 2014.
- Net interest income generated by the Company was \$22.6 million (YTD 2014 – \$21.0 million), an increase of \$1.6 million or 7.8% over YTD 2014. The increase in net interest income is mainly due to a larger average net mortgage investments portfolio of \$451.0 million in YTD 2015 relative to \$385.2 million in YTD 2014. This was a result of the average credit facility utilization of \$163.7 million (YTD 2014 – \$98.1 million). This increase was reduced by a lower weighted average interest rate for the period of 6.1% (YTD 2014 – 6.4%).
- Income from operations generated by the Company was \$18.6 million (YTD 2014 – \$17.3 million), an increase of \$1.3 million or 7.7% over YTD 2014, mainly due to higher net interest income. The increase was offset by an higher management fees due to a larger average mortgage investment portfolio.
- The Company generated net income and comprehensive income of \$14.4 million (YTD 2014 – \$14.1 million), an increase of \$0.3 million or 2.2% from YTD 2014, resulting in earnings per share of \$0.46 (YTD 2014 – \$0.45).
- The Board of Directors declared dividends to common shareholders of \$14.2 million (YTD 2014 – 14.2 million), \$0.45 (YTD 2014 - \$0.45) per share.
- The Company generated distributable income of \$14.6 million (YTD 2014 – \$13.8 million) or an increase of \$0.8 million from YTD 2014 resulting in a payout ratio of 97.4% (YTD 2014 – 103.0%).
- The Company acquired 105,454 common shares (YTD 2014 – nil) for cancellation under its normal course issuer bid at a cost of \$0.8 million (YTD 2014 – nil) at an average price of \$7.60 per common share.

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ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Distributable income

	Three months ended		Nine months ended		Year ended
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	December 31, 2014
Net income and comprehensive income	\$ 4,800	\$ 4,597	\$ 14,397	\$ 14,092	\$ 18,717
Less: amortization of lender fees	(551)	(723)	(1,855)	(2,287)	(2,859)
Add: lender fees received	426	954	1,603	1,359	1,727
Add: amortization of financing costs	144	69	436	450	602
Add: provision for mortgage investments loss	-	-	-	175	175
Distributable income	\$ 4,819	\$ 4,897	\$ 14,581	\$ 13,789	\$ 18,362
Less: dividends to common shareholders	(4,727)	(4,733)	(14,194)	(14,200)	(18,934)
(Over) under distribution	\$ 92	\$ 164	\$ 387	\$ (411)	\$ (572)
Distributable income per share (basic and diluted)	\$ 0.15	\$ 0.16	\$ 0.46	\$ 0.44	\$ 0.58
Payout ratio	98.1%	96.7%	97.4%	103.0%	103.1%
Turnover ratio	15.4%	9.0%	40.1%	48.7%	61.5%

The distributable income reconciliation above provides a link between the Company's IFRS reporting requirements and its ability to generate recurring cash flows for dividends. In Q3 2015 and YTD 2015, the Company maintained high utilization of its credit facility and expects to achieve a 100% payout ratio for 2015. The Company expects minor fluctuations in payout ratios as dividends are straight-lined while we experience fluctuations in generating distributable income during the year.

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Statements of income and comprehensive income

	Three months ended			Nine months ended		
	September 30, 2015	September 30, 2014	% Change	September 30, 2015	September 30, 2014	% Change
Net interest income	\$ 7,564	\$ 6,639	13.9%	\$ 22,630	\$ 20,985	7.8%
Expenses	(1,352)	(1,158)	(16.8%)	(3,991)	(3,675)	(8.6%)
Income from operations	6,212	5,481	13.3%	18,639	17,310	7.7%
Financing costs:						
Interest on credit facility	(1,412)	(884)	(59.6%)	(4,242)	(3,218)	(31.8%)
Net income and comprehensive income	\$ 4,800	\$ 4,597	4.4%	\$ 14,397	\$ 14,092	2.2%
Earnings per share (basic and diluted)	\$ 0.15	\$ 0.15		\$ 0.46	\$ 0.45	

Net interest income¹

For Q3 2015 and YTD 2015, the Company earned \$7.6 million and \$22.6 million (Q3 2014 – \$6.6 million; YTD 2014 – \$21.0 million). Net interest income includes the following:

(a) Interest income

For Q3 2015 and YTD 2015, the Company earned \$7.0 million and \$20.8 million (Q3 2014 – \$5.9 million; YTD 2014 – \$18.5 million) in interest income on the net mortgage investments. The increase in interest income is attributable to an increase in the average net mortgage investments portfolio by \$83.1 million and \$66.1 million in Q3 2015 and YTD 2015 in relation to Q3 2014 and YTD 2014. This increase in income was reduced by a lower weighted average interest rate for the period of 6.1% during Q3 2015 and YTD 2015 (Q3 2014 – 6.3%; YTD 2014 – 6.4%), although still within our target range.

(b) Lender fee income

During Q3 2015 and YTD 2015, the Company received non-refundable lender fees of \$0.4 million and \$1.6 million (Q3 2014 – \$1.0 million; YTD 2014 – \$1.4 million), or weighted average lender fees of 0.6% and 0.8% (Q3 2014 – 0.7%; YTD 2014 – 0.7%). The increase in YTD lender fees was due to higher average lender fees received on new mortgage investments. This was impacted by a decreased new net mortgage investments in YTD 2015 in relation to YTD 2014. These lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income but are paid out in the year they are received (see Distributable Income table). For Q3 2015 and YTD 2015, \$0.6 million and \$1.9 million (Q3 2014 – \$0.7 million; YTD 2014 – \$2.3 million) of non-refundable lender fees were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage investment turnover. The Manager

¹ 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.

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does not retain any portion of the lender fees in order to ensure management's interests are aligned with the shareholders.

Expenses

For Q3 2015 and YTD 2015, the Company's expense ratio was 1.1% (Q3 2014 and YTD 2014 – 1.2%). The decrease is mainly related to an increase in net mortgage investments at September 30, 2015 as compared to September 30, 2014.

(a) Management fees

In accordance with the management agreement, the Company pays the Manager an annual management fee of 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. The gross assets are calculated as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities related to syndicated mortgage investments that are held by third parties.

For Q3 2015 and YTD 2015, the Company incurred management fees of \$1.1 million and \$3.3 million (Q3 2014 – \$1.0 million; YTD 2014 – \$2.9 million). The higher management fees are due to larger assets of the Company.

(b) General and administrative

For Q3 2015 and YTD 2015, the Company incurred general and administrative expenses of \$244 thousand and \$701 thousand (Q3 2014 – \$200 thousand; YTD 2014 – \$629 thousand). General and administrative expenses consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the mortgage investment portfolio. The increase in general and administrative expenses relative to the comparable 2014 periods is attributed to increased professional fees and director fees related to the new DSU plan.

Interest on credit facility

The Company actively monitors the advances and repayments while efficiently using bankers' acceptances ("BA") for the majority of its borrowings to minimize interest costs. Financing costs include interest paid on amounts drawn on the credit facility, stand-by fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for Q3 2015 and YTD 2015 were \$1.4 million and \$4.2 million (Q3 2014 – \$0.9 million; YTD 2014 \$3.2 million). The increase is mainly due to greater utilization of the credit facility in Q3 2015 and YTD 2015 as compared to Q3 2014 and YTD 2014. The average utilization of the credit facility during YTD 2015 was \$163.7 million compared to \$98.1 million in YTD 2014.

Earnings per share

Earnings per share for Q3 2015 and YTD 2015 was \$0.15 per share and \$0.46 per share (Q3 2014 – \$0.15 per share; YTD 2014 – \$0.45 per share) and slightly exceeds the Company's dividend per share of \$0.45.

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STATEMENTS OF FINANCIAL POSITION

Net mortgage investments

The balance of net mortgage investments is as follows:

	September 30, 2015	December 31, 2014
Gross mortgage investments, including mortgage syndications	\$ 506,434	\$ 483,209
Mortgage syndication liabilities	(31,201)	(51,757)
	475,233	431,452
Interest receivable	(3,484)	(2,448)
Unamortized lender fees	1,866	2,117
Provision for mortgage investment loss	175	175
Net mortgage investments	\$ 473,790	\$ 431,296

	Three months ended		Nine months ended		Year ended
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	December 31, 2014
NET MORTGAGE INVESTMENTS STATISTICS AND RATIOS					
Total number of net mortgage investments	63	65	63	65	62
Average net mortgage investment	\$ 7,520	\$ 6,426	\$ 7,520	\$ 6,426	\$ 6,956
Average net mortgage investment portfolio ¹	\$ 456,275	\$ 373,208	\$ 451,032	\$ 385,054	\$ 394,061
Weighted average interest rate for the period ¹	6.1%	6.3%	6.1%	6.4%	6.4%
Weighted average lender fees ¹	0.6%	0.7%	0.8%	0.7%	0.6%
Turnover ratio ¹	15.4%	9.0%	40.1%	48.7%	61.5%
Weighted average term (years)	2.4	2.5	2.4	2.5	2.4
Weighted average remaining term to maturity (years)	1.1	1.5	1.1	1.5	1.3
Net mortgage investments secured by cash-flowing properties (as at)	85.8%	83.4%	85.8%	83.4%	82.8%
Weighted average loan-to-value	53.4%	52.3%	53.4%	52.3%	55.6%

¹ Refer to non-IFRS Measures section, where applicable.

The Company has developed a lending strategy predominantly targeting short-term mortgage investments, secured by cash-flowing properties, while specializing in multi-residential real estate assets. The Company focuses its efforts on diversifying the mortgage investments portfolio, with its greatest concentration in Canada's largest provinces. As at September 30, 2015, 86.0% (December 31, 2014 – 89.1%) of the net mortgage investments were allocated across Ontario, Quebec, British Columbia and Alberta. The Company has continued

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to maintain significant exposure to Ontario as it is Canada's most populated province with the greatest number of metropolitan cities. A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance, which would in effect reduce the weighted average remaining term to maturity.

In YTD 2015, the Company advanced new net mortgage investments totalling \$155.7 million, had additional advances on existing net mortgage investments totalling \$69.9 million and received full repayments on 23 net mortgage investments and partial pay downs totalling \$183.1 million. Overall, the net mortgage investments portfolio grew by \$42.5 million or 9.9% in YTD 2015.

PORTFOLIO ALLOCATION

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

(a) Region

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	25	38.9%	31	53.2%
QC	17	30.8%	11	20.5%
AB	4	9.5%	7	4.3%
BC	6	6.8%	6	11.1%
SK	6	10.3%	4	9.2%
NS	1	1.7%	1	1.2%
MB	4	2.0%	2	0.5%
	63	100.0%	62	100.0%

(b) Maturity

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2015, balance of year	10	19.0%	25	43.4%
Maturing 2016	22	36.0%	21	34.3%
Maturing 2017	28	39.3%	15	21.6%
Maturing 2018	2	5.0%	–	–
Maturing 2019	1	0.7%	1	0.7%
	63	100.0%	62	100.0%

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(c) Asset Type

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	36	38.6%	27	36.6%
Office	7	11.9%	12	20.1%
Retail	6	23.6%	7	15.6%
Retirement	1	6.0%	1	4.9%
Industrial	3	1.9%	4	6.0%
Other-residential	3	6.4%	2	4.3%
Hotels	1	4.5%	2	5.3%
Unimproved land	5	5.4%	6	7.0%
Single-residential	1	1.7%	–	–
Self-storage	–	–	1	0.2%
	63	100.0%	62	100.0%

(d) Interest Rate

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
5.00% or lower	8	13.0%	9	19.8%
5.01%–5.99%	25	42.4%	17	29.5%
6.00%–6.99%	14	26.5%	12	19.7%
7.00% or greater	16	18.1%	24	31.0%
	63	100.0%	62	100.0%

(e) Loan-to-value

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	32	53.0%	31	38.9%
55%–60%	8	8.0%	4	6.8%
61%–65%	10	17.2%	7	17.7%
66%–70%	13	21.8%	20	36.6%
	63	100.0%	62	100.0%

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with mainly third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. The Company generally retains an option to 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. During YTD 2015, the mortgage syndication liabilities have decreased to \$31.2 million (December 31, 2014 – \$51.8 million). Mortgage syndication liabilities will vary from quarter to quarter and is dependent on the type of investments seen at any particular time, and not necessarily indicative of a future trend.

Allowance for mortgage investments loss

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

As at September 30, 2015, the Company has a collective impairment allowance of \$0.2 million (December 31, 2014 – \$0.2 million).

Net working capital

Net working capital increased by \$1.0 million to \$1.8 million at September 30, 2015 from \$0.8 million at December 31, 2014. The change in net working capital is primarily attributed to higher interest receivable at September 30, 2015 in relation to December 31, 2014, mainly due to larger net mortgages portfolio at September 30, 2015. The Company uses the credit facility to manage fluctuations in the working capital.

Credit Facility

As at September 30, 2015, the Company has a credit facility with an available limit of up to \$190.0 million (December 31, 2014 – \$190.0 million), subject to its borrowing base as set out in the credit agreement. The credit facility bears interest at either the prime rate of interest plus 1% or BA with a stamping fee of 2% of the face amount of such BA. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The credit facility is secured by a general security agreement over the Company's assets. The credit facility matures on June 23, 2016.

As at September 30, 2015, \$186.0 million (December 31, 2014 – \$142.1) was outstanding on the credit facility, with an average utilization of \$168.4 million and \$163.7 million for Q3 2015 and YTD 2015, respectively (Q3 2014 – \$89.8 million; YTD 2014 – \$98.1 million). For Q3 2015 and YTD 2015, interest costs of \$1.4 million and \$4.2 million (Q3 2014 – \$0.9 million; YTD 2014 – \$3.2 million) related to the credit facility are recorded in financing costs using the effective interest rate method.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

As at September 30, 2015, there were \$0.4 million (December 31, 2014 – \$0.8 million) in unamortized financing costs related to the structuring of the credit facility netted against the outstanding balance. For Q3 2015 and YTD 2015, the Company has amortized financing costs of \$0.1 million and \$0.4 million (Q3 2014 – \$0.69; YTD 2014 – \$0.4 million) to interest expense using the effective interest rate method.

Shareholders' Equity

(a) Common shares

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

(b) Dividends

During Q3 2015 and YTD 2015, the Board of Directors declared dividends of \$4.7 million and \$14.2 million or \$0.15 and \$0.45 per common share (Q3 2014 – \$4.7 million or \$0.15 per common share; YTD 2014 – \$14.2 million or \$0.45 per common share).

(c) Dividend reinvestment plan

Under the dividend reinvestment plan, eligible shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The Manager can elect to purchase common shares on the open market or issue common shares from treasury. During Q3 2015 and YTD 2015, 42,602 and 114,628 (Q3 2014 – 29,467; YTD 2014 – 85,984) common shares were purchased on the open market under the DRIP.

(d) Normal course issuer bid

On November 13, 2014, the Company received approval of the TSX to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to 3,133,590 common shares, representing approximately 10% of the common share float on November 11, 2014. Subject to certain exemptions for block purchases, the maximum number of common shares that the Company may acquire on any one trading day is 8,454 common shares, such amount representing 25% of the average daily trading volume of the common shares for the six calendar months prior to the start of the Bid. The Bid commenced on November 17, 2014 and will terminate on the earlier of November 16, 2015 or the date on which the Company has purchased the maximum number of common shares permitted under the Bid. From January 1, 2015 to September 30, 2015, the Company acquired 98,354 shares for cancellation at a cost of \$747. The Company intends to apply for the renewal of the normal course issuer bid after its expiry date.

(e) Non-executive director deferred share unit plan

Commencing January 1, 2015, the Company instituted a non-executive director deferred share unit plan for the purpose of: (a) enhancing the Company's ability to provide long-term incentive compensation to directors which is linked to performance of the Company and not dilutive to shareholders, (b) assisting the Company in attracting, retaining and motivating its directors; and (c) promoting a closer alignment of interests between directors and the shareholders of the Company. Under the Plan, up to 100% of the compensation for a director may be paid to the director in the form of

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For the three and nine months ended September 30, 2015

DSUs, credited quarterly in arrears. Directors may elect annually, in accordance with the Plan, as to how much (if any) of the compensation will be paid in DSUs, having regard at all times for the ownership guidelines of the Plan. 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 is the volume weighted average price of a common share as reported on the TSX for the 20 trading days immediately preceding that day (the "Fair Market Value"). DSUs granted entitle the directors to also accumulate DSUs equal to the monthly cash dividends, assuming the reinvestment of the dividends into units is based upon the Fair Market Value of the common shares on the dividend payment date.

Following each calendar quarter, the director's DSU account will be credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value. Each director is also entitled to an additional number of DSUs that is equal to the result of multiplying 25% of the director's DSU issuance up to a maximum value of \$5 thousand per annum. The Plan will pay a lump sum payment in cash equal to the number of DSUs held by each director multiplied by the fair market value of one common share as of the 24th business day after publication of the interim financial statements following a director's departure from the Board of Directors.

In conjunction with the Plan, the Company has also adopted a share ownership guideline for the non-executive directors. The ownership guidelines require that each non-executive director acquire and maintain a level of ownership that has a value equal to at least three times their annual retainer and meeting fees, within a five year period.

For YTD 2015, the directors, on average, have elected to receive 89% of their compensation in DSUs. For Q3 2015 and YTD 2015, 5,960 and 11,908 DSUs were issued and outstanding and no DSUs were exercised or cancelled. For YTD 2015, the DSU expense was \$0.1 million based on a Fair Market Value of \$7.55 per common share. As at September 30, 2015, the fair value of the outstanding DSUs amounted to \$0.1 million and is included in accrued expenses.

STATEMENT OF CASH FLOWS

Cash from operating activities

During Q3 2015 and YTD 2015, cash generated from operating activities was \$5.9 million and \$17.4 million (Q3 2014 – \$4.1 million; YTD 2014 – \$14.2 million), an increase of \$1.8 million and \$3.2 million, or 43.9% and 22.2%, from Q3 2014 and YTD 2014, respectively. The increase in Q3 2015 is primarily due to higher income from operations and reduction of other assets. The increase in YTD 2015 is also affected by an increase in cash lender fees received as well a decrease in accounts payable and accrued expenses.

Cash from financing activities

During Q3 2015 and YTD 2015, financing activities consisted of the Company's advances on the credit facility of \$9.7 million and \$44.1 million (Q3 2014 – \$32.3 million; YTD 2014 – \$20.3 million). The Company paid interest and financing costs on the credit facility of \$1.4 million and \$3.9 million (Q3 2014 – \$0.9 million; YTD 2014 – \$4.1 million), as well as dividends to holders of common shares of \$4.7 million and \$14.2 million (Q3 2014 – \$4.7 million; YTD 2014 – \$14.2 million). The net cash inflow from financing activities was \$2.8 million and \$25.1

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For the three and nine months ended September 30, 2015

million (Q3 2014 – \$26.6 million; YTD 2014 – \$2.0 million), which was mainly from drawings on credit facility which were used to fund net mortgage investments.

Cash used in investing activities

Net cash used in investing activities for Q3 2015 and YTD 2015 was \$8.6 million and \$42.5 million (Q3 2014 – \$63.1 million; YTD 2014 – \$16.3 million in cash from investing activities) and consisted of fundings of net mortgage investments of \$80.0 million and \$225.6 million (Q3 2014 – \$111.5 million; YTD 2014 – \$203.0 million) which were reduced by repayments of net mortgage investments of \$71.3 million and \$183.1 million (Q3 2014 – \$48.4 million; YTD 2014 – \$186.8 million).

QUARTERLY FINANCIAL INFORMATION

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

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	\$ 7,564	\$ 7,766	\$ 7,300	\$ 7,174	\$ 6,639	\$ 7,084	\$ 7,262	\$ 7,325
Expenses	(1,352)	(1,350)	(1,289)	(1,274)	(1,158)	(1,167)	(1,350)	(1,436)
Income from operations	6,212	6,416	6,011	5,900	5,481	5,917	5,912	5,889
Financing costs:								
Interest on credit facility	(1,412)	(1,465)	(1,366)	(1,275)	(884)	(1,107)	(1,227)	(1,048)
Issuance costs of redeemable shares	–	–	–	–	–	–	–	(4)
Dividends to holders of redeemable shares	–	–	–	–	–	–	–	(1,851)
	(1,412)	(1,465)	(1,366)	(1,275)	(884)	(1,107)	(1,227)	(2,903)
Net income and comprehensive income	\$ 4,800	\$ 4,951	\$ 4,645	\$ 4,625	\$ 4,597	\$ 4,810	\$ 4,685	\$ 2,986
Earnings per share (basic and diluted)¹	\$ 0.15	\$ 0.16	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	–

1 Earnings per share for quarter in 2013 has not been presented as the Company did not have equity instruments, as defined in IAS 33, Earnings per Share, as the redeemable shares were classified as financial liability in the statements of financial position.

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

- In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments. As a result, net interest income is susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances to determine its distributable income on a calendar year basis.
- The dividends to holders of redeemable shares and issuance costs relating to redeemable shares were presented in the statement of income and comprehensive income until October 2013. Following November 29, 2013, the dividends to holders of common shares are presented in the condensed consolidated interim statements of changes in shareholders' equity.

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For the three and nine months ended September 30, 2015

RELATED PARTY TRANSACTIONS

As at September 30, 2015, other assets includes due from Manager relating to management fees of \$1. Due to Manager includes \$23 as at December 31, 2014 relating to management fees payable and no amounts payable (December 31, 2014 – \$7) relating to costs incurred by the Manager on behalf of the Company.

The Manager is responsible for the general management and day to day operations of the Company and, through Timbercreek Mortgage Servicing Inc. ("TMSI"), a company controlled by the Manager, acts as the Company's mortgage servicer and administrator. As at September 30, 2015, included in other assets is \$568 (December 31, 2014 – \$858), of cash held in trust for the Company by TMSI, the balance of which relates to mortgage funding holdbacks, prepaid mortgage interest and other receivables from various borrowers.

As at September 30, 2015, the Company remains co-invested in a mortgage investment with a total gross commitment of \$76.1 million (December 31, 2014 – \$76.1 million) where the president of one of the co-investors in the financing is also an independent director of the Company. The Company's share of the commitment is \$48.6 million (December 31, 2014 – \$48.6 million), of which \$21.3 million (December 31, 2014 – \$8.3 million) has been funded as at September 30, 2015. This investment was previously reviewed and approved by the governance committee and the independent director's continued independence was confirmed.

As at September 30, 2015, the Company has a mortgage investment with a total gross commitment of \$84.1 million (December 31, 2014 – \$84.1 million) where one independent director of the Company is an officer of an indirect investor in the borrower. Another independent director is an officer and a part-owner of another co-investor in the borrower. The Company's share of the commitment is \$14.2 million (December 31, 2014 – \$14.2 million), of which \$1.6 million (December 31, 2014 – \$1.6 million) has been funded as at September 30, 2015. This investment was previously reviewed and approved by the governance committee and the independent directors' continued independence was confirmed.

During Q3 2015, the Company co-invested in a mortgage investment with a total gross commitment of \$55.0 million, where one independent director of the Company holds a minority interest in the borrower. The Company's share of the commitment is \$27.0 million and has been fully advanced as at September 30, 2015. The investment was reviewed and approved by the Board of Directors, with the conflicted director abstaining, in conformity with the Company's conflict review policy.

In addition to the above related party transactions, the Company has transacted with other entities managed by the Manager. As at September 30, 2015, the Company, Timbercreek Mortgage Investment Corporation ("TMIC"), Timbercreek Four Quadrant Global Real Estate Partners ("T4Q") and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in several gross mortgage investments, totalling \$649.7 million (December 31, 2014 – \$566.8 million). During YTD 2015, the Company, along with its related parties, funded \$288.2 million in co-invested gross mortgage investments and received repayments of \$130.6 million. As at September 30, 2015, the Company's share in these gross mortgage investments is \$464.3 million (December 31, 2014 – \$423.3 million). Included in these amounts is a gross mortgage investment of \$9.6 million (December 31, 2014 – \$8.9 million) loaned to a limited partnership in which T4Q is invested.

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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

COMMITMENTS AND CONTINGENCIES

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

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

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the condensed consolidated interim financial statements, the Manager has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in the condensed consolidated interim financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the condensed consolidated interim financial statements are as follows:

Mortgage investments

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. Specifically, the Company will consider loss events including, but not limited to: 1) payment default by a borrower; 2) whether security of the mortgage is negatively impacted by some event; and 3) financial difficulty experienced by a borrower. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

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 Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Manager assesses 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.

SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the Company has consistently applied the accounting policies set out to all periods presented in its consolidated financial statements for the years ended December 31, 2014 and 2013, which were prepared in accordance with IFRS.

Non-executive director deferred share unit plan

Commencing January 1, 2015, the Company's non-executive directors are participating in the Plan which allows the directors to elect to receive their compensation in the form of DSUs. The benefit resulting from the grant of DSUs under the Plan is recorded in profit and loss when awarded. DSUs granted are included within accrued expenses based on the fair market value of the DSUs on the date of grant and are subsequently measured at each reporting date at their fair market value with changes in the carrying amount recognized in profit and loss.

OUTSTANDING SHARE DATA

As at November 9, 2015, the Company's authorized capital consists of an unlimited number of common shares, of which 31,451,154 are issued and outstanding.

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For the three and nine months ended September 30, 2015

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 defines its capital structure to include common shares and the credit facility.

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 intends to qualify as a MIC as defined under Section 130.1(6) of the Income Tax Act (Canada) 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 the credit facility. The Company routinely forecasts cash flow sources and requirements to ensure cash is efficiently utilized.

The following are the contractual maturities of financial liabilities as at September 30, 2015, including expected interest payments:

September 30, 2015	Carrying values	Contractual cash flows	Within a year	Following year	3 – 5 years
Accounts payable and accrued expenses	\$ 398	\$ 398	\$ 398	\$ –	\$ –
Dividends payable	1,573	1,573	1,573	–	–
Mortgage funding holdbacks	105	105	105	–	–
Prepaid mortgage interest	317	317	317	–	–
Credit facility ¹	186,008	191,247	191,247	–	–
	188,401	193,640	193,640	–	–
Unadvanced gross mortgage commitments ²	95,657	95,657	95,657	–	–
	\$ 284,058	\$ 289,297	\$ 289,297	\$ –	\$ –

1. Contractual cash flows include interest on the credit facility assuming the outstanding balance is not repaid until its maturity in June 2016 and interest is calculated at the prime rate of interest plus 1.0%.

2. Unadvanced gross mortgage commitments include syndication commitments from third party investors totaling \$26.6 million.

As at September 30, 2015, the Company's cash position was nil (December 31, 2014 – nil) and there was an undrawn credit facility balance of \$1.8 million (December 31, 2014 – \$20.3 million), based on the available borrowing base as at September 30, 2015. The available borrowing base can be increased by \$2.6 million, being the credit facility limit, subject to terms of the credit agreement. The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the credit facility. Included within the

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

\$95.7 million of the unadvanced mortgage commitments is \$26.6 million (December 31, 2014 – \$29.3 million) relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

FINANCIAL INSTRUMENTS

Financial assets

The Company's other assets and mortgage investments, including mortgage syndications, are designated as loans and receivables and are measured at amortized cost. The fair values of 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 investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on level 3 inputs.

Financial liabilities

The Company's accounts payable and accrued expenses, dividends payable, mortgage funding holdbacks, prepaid mortgage interest, credit facility and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of 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 underlying mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

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, 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.

For a full discussion of the risks and uncertainties, please also refer to the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2014.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company evaluated, or caused to be evaluated under their direct supervision, the design of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")) at September 30, 2015 and, based on that evaluation, have concluded that the design of such disclosure controls and procedures was appropriate.

The Manager is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The CEO and the CFO assessed, or under their direct supervision caused an assessment of, the design of the Company's internal controls over financial reporting as at September 30, 2015 in accordance with the COSO Internal Control - Independent Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment they determined that the design of the Company's internal controls over financial reporting was appropriate.

During 2015, the Manager implemented a new mortgage administration and portfolio management software. This new software allows the Manager to monitor the portfolio in real-time. The Manager has assessed that the new software did not cause significant or material changes to the design of internal controls over financial reporting.

There were no other changes made in our design of internal controls over financial reporting during the three months ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

ADDITIONAL INFORMATION

Phone

Calling the Company at 1-866-898-8868, Carrie Morris, Managing Director Capital Markets & Corporate Communications.

Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at (416) 306-9967 ext. 7266 (collect if long distance).

Internet

Visiting SEDAR at www.sedar.com; or the Company's website at www.timbercreekseniormic.com.

Mail

Writing to the Company at:

Timbercreek Senior Mortgage Investment Corporation
Attention: Corporate Communications
1000 Yonge Street, Suite 500
Toronto, Ontario M4W 2K2