

Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the year ended December 31, 2023 and 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, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in, geopolitical uncertainty, and the risks detailed from time to time in the Company's public disclosures. For more information on risks, please refer to the "Risks and Uncertainties" section in this MD&A, and the "Risk Factors" section of our Annual Information Form ("AIF"), which can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR+") website at www.sedarplus.ca

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

This MD&A is dated February 26, 2024. 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.sedarplus.ca.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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 and year ended December 31, 2023. This MD&A should be read in conjunction with the consolidated financial statements for the years ended December 31, 2023 and 2022, which are prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board.

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

Copies of these documents have been filed electronically with securities regulators in Canada through SEDAR+ and may be accessed through the SEDAR+ website at www.sedarplus.ca.

NON-IFRS MEASURES

The Company prepares and releases consolidated financial statements in accordance with IFRS. In this MD&A, and 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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 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 expected credit loss as at the reporting date.
- ii. Weighted average loan-to-value ("WALTV") – a measure of advanced and unadvanced mortgage commitments on a mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral at the time of approval of the mortgage investment (at origination), or subsequently when the underlying collateral is revalued. For construction/redevelopment mortgage investments, fair value is based on an "as completed" basis. For unimproved and improved land, fair value is based on an "as is" basis. Net mortgage investments measured at fair value through profit or loss ("FVTPL") are excluded from WALTV computation. This is a key measure to explain period to period performance variances of net mortgage investments.
- iii. Turnover ratio – represents total borrower repayments and syndications of mortgage investments that occurred more than 30 days past the initial net mortgage investment advance date during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period. The Company makes mortgages or loans to only commercial borrowers that are short-term (generally one to five years), and as such the portfolio turnover rate is higher than typical mortgage portfolios which include individual or non-commercial borrower loans. This is a key measure to explain period to period performance variances of net mortgage investments as turnover from both scheduled and early repayments impacts revenue.
- iv. Weighted average interest rate 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 are one of the main contributors to net investment income and distributable income.
- vi. Average net mortgage investment portfolio – represents the daily average of net mortgage investments for the stated period. As a result, the Company complements IFRS measures (which presents financial positions 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 the average net mortgage investment portfolio is a basis for interest income earned during the period.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

- 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 and earnings per share ("EPS") measures do not necessarily provide a complete measure of the Company's operating performance as IFRS net income and EPS include non-cash items such as amortization of lender fees, amortization of financing costs, unrealized fair value changes, and expected credit loss, which are not representative of current 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 to assess its dividend paying capacity. A reconciliation of the distributable income is provided in "Analysis of Financial Information for the Period" section of the MD&A.

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

- i. Distributable income – represents the Company's ability to generate cash flows for dividends by removing the effect of amortization, accretion, unrealized fair value adjustments, expected credit loss, and unrealized gain or loss from total net income and comprehensive income.
- ii. Distributable income per share – represents the total distributable income divided by the weighted average common shares outstanding for the stated period.
- iii. Payout ratio on distributable income – represents total 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/(loss) on an investment measured at FVTPL as well as non-recurring foreign currency gains on other investments.
- 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.
- 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 its Q4 2023 results, which were highlighted by net investment income of \$29.7 million (Q4 2022 – \$31.3 million), distributable income of \$17.5 million (Q4 2022 – \$18.4 million) as well as material progress on the resolution of some Stage 3 assets. Earnings per share and distributable income per share were \$0.18 and \$0.21 in Q4 2023 versus \$0.18 and \$0.22, respectively, in the same period last year, demonstrating continued strong underlying fundamentals. The distributable income payout ratio continues to be low at 82.0%, reinforcing the Company's ability to continue generating healthy cash flows and dividends.

In light of the strong full-year income results, and in addition to paying 69 cents per share in dividends through the year, the Company has authorized a special dividend of 5.75 cents per share, for shareholders of record as at March 5, 2024. The special dividend will be paid on March 11, 2024. The dividend equates to \$4.8 million of additional payout to shareholders. The balance of undistributed income is reflected in the Company's book value per share, ending at \$8.45 for the year (before payment of special dividend expected in March 2024) versus \$8.33 at the end of 2022.

From a macro perspective, it's worthwhile to reflect on the significant changes in the commercial real estate market over the last two years and the implications for Timbercreek Financial. As the world emerged from Covid-19, substantial supply and demand imbalances resulted in high levels of inflation. Central Banks, including the Bank of Canada, have combated this issue with a rapid rise in interest rates to cool the economy. The prime rate in Canada reached 7.2% in July 2023, a cumulative increase of 4.75% over 16-months from the first increase in March 2022. Real estate owners, many of which already faced stressed balance sheets coming out of Covid, now faced the additional strain of higher debt service payments. These negative conditions were reflected in the outlook for the sector and led to declines in share prices of public real estate companies and mortgage lenders such as Timbercreek Financial. Looking at the Company specifically, the pressure of this real estate cycle has led to an increase in Stage 2 and 3 loans, and management has been reporting on these loans in detail throughout 2023. The Timbercreek team is experienced in dealing with these scenarios and is pleased with the progress to date, as discussed in further detail below. As a floating rate lender, the corollary of higher rates has been a substantial increase in the Company's income, providing significant cushion to offset the temporary delinquency in the mortgage portfolio.

Q4 2023 ended with a high turnover ratio of 19.2% and a net mortgage portfolio balance of \$946.2 million versus \$1,195.8 million at the end of 2022. The reduction in the size of the portfolio was driven by several factors. The first was the natural turnover of the Company's portfolio as assets emerge from the value-add programs that the Company focuses on and borrowers logically seek to transition to lower cost conventional term financing. Secondly, there was a marked slowdown in market transactions as fewer trades took place given uncertain asset pricing. Finally, the Company was intentionally cautious on new lending given the uncertainty in 2023. Management tightened underwriting standards and the pace of new investments while ensuring sufficient lending to maintain a healthy payout ratio. As we look forward into 2024, management is optimistic about the current investment environment. On the collateral side, the current down cycle is 18-months old, rent inflation is rolling through to bottom lines, and optimism of future interest rate cuts will all act to enhance asset values. This creates an ideal environment to expand the portfolio on an attractive risk-adjusted basis and Timbercreek enters 2024 in a strong liquidity position to take advantage of this opportunity. As 2024 remains a transitional year, the Manager will continue to act prudently and monitor the existing portfolio closely. On new loans, the Manager will continue to focus on multi-family income producing loans, but there will likely be opportunities in non-income investments such as land or condo-inventory with borrowers needing liquidity. The Manager will lean into some of these opportunities where the risk-return profile is significantly enhanced given this moment in time in the cycle.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

Looking at the quarter-end and year-end results in more detail, the loan portfolio of \$946.2 million had a weighted-average interest rate for the quarter of 10.0%. In Q4 2023, the Company advanced net new mortgages of \$61.2 million, and \$16.2 million on existing mortgages, offset by total mortgage portfolio repayments of \$199.7 million. Mortgage repayment activity increased in the fourth quarter, and portfolio turnover increased to 19.2% compared to 6.0% in Q3 2023. As expected, the Company experienced increased turnover in the fourth quarter as borrowers executed on their exit plans to either seek term financing or sales. The higher turnover is beneficial in that it increases the percentage of the Company's loan portfolio invested at current valuation metrics and will generate additional fee revenue at origination. The Company ended the year on a note of optimism that interest rate increases had reached their peak and would even be coming down in the latter part of 2024, which should drive commercial real estate transaction volumes.

On the capital front, the Company recently completed a renewal of its credit facility including a revolver of \$510.0 million and an accordion option of up to \$100.0 million. The credit facility gives the Company ample room to continue to deploy capital accretively as activity in the commercial real estate market accelerates.

With staged loans, the Company continues to see progress on these files and was very pleased to announce the official sale of the portfolio of seven multi-family, Stage 3 loans in Quebec. These loans, representing a balance of \$146.1 million, were fully repaid in January 2024 with Timbercreek recovering all principal and accrued interest. As a result the associated expected credit loss of \$1.6 million was fully reversed in Q4 2023. An update on the balance of other staged loans is provided below:

Stage 3 loans:

1. \$12.4 million net mortgage investment in a multi-family loan currently part of a CCAA process in Montreal.
Status: In Q4 2023 the asset remained in Stage 3, however, a purchaser was selected through a bid process run by the receiver. The new purchaser will join the existing joint-venture owner to complete the construction of the multi-family asset. The borrowers have executed a forbearance agreement which includes the requirement for the borrowers to inject more equity into the project. The Company expects the loan to be performing in Q1 2024, including the Company being made current on its interest arrears. The Company ultimately expects full repayment of the loan.
2. \$15.6 million net mortgage investment condo inventory exposure in Edmonton.
Status: The Company is actively working to sell the remaining condo inventory. With the assumption that interest rates will start to decline in 2024, the Company anticipates sales activity to increase in 2024. The original inventory balance was \$23.7 million.
3. \$9.0 million net mortgage investment on a medical office building in Ottawa.
Status: The Company engaged a new property manager in Q2 2023 with deep expertise in the market to complete the leasing strategy. The investment team is confident that the intended repositioning plan of the asset will generate the best outcome for the property and the ultimate repayment of principal. At the same time, the Company is exploring redevelopment potential with excess density and potentially targeting a sales process in the first half of 2024.
4. \$38.5 million net mortgage investments in two office properties and one retail property with the same sponsor in Calgary
Status: The Company continues to be in discussions with the sponsorship group to execute on a forbearance agreement along with potential plans for the near-term sale of one of the assets. The Company expects to have a more fulsome update with its Q1 2024 financial results.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

Stage 2 loans:

1. \$18.0 million net mortgage income producing multi-family loan in Edmonton.
Status: The loan was extended in Q4 2023 for a seven month period to enable the borrower to either sell the property or seek CMHC financing. The Company continues to expect full principal repayment on the loan.
2. \$15.4 million net mortgage investment relating to one income producing office asset in Calgary.
Status: A forbearance agreement has been signed. Additional structure has been implemented which will see bullet repayments on the loan subject to other non-Calgary related asset sales (via equity pledges) of in 2024/2025.

Real Estate Inventory:

\$62.0 million (net) in a portfolio of three senior living assets in Montreal

Status: The Company has been working with the property manager and has seen improvement in the asset including an increase in the cash yield. The plan is to continue to stabilize the performance of the asset and seek a 3rd party sale in due course. The Company does not expect principal losses on the ultimate sale and will likely reverse its expected credit losses of \$2.6 million.

\$30.6 million in a portfolio of land in Simcoe County

Status: The Company continues to actively manage the portfolio and is advancing development options with the city. The business plan will transition to the disposition phase in 2024 with select components of the portfolio coming to sale.

PORTFOLIO ACTIVITY

In Q4 2023, the Company advanced \$61.2 million on 7 new net mortgage investments and made additional advances of \$16.2 million. Portfolio turnover increased to 19.2% (with total mortgage portfolio repayments of \$199.7 million, including borrower repayments of \$176.2 million), compared with 6.0% in Q3 2023. Net value of the mortgage portfolio, excluding syndications, decreased by \$122.4 million (from \$1,068.6 million in Q3 2023 to \$946.2 million at the end of Q4 2023). The Company's credit facility had a balance of \$260.0 million at the end of Q4 2023, compared to \$405.1 million at the end of Q3 2023.

At the end of Q4 2023, 86.0% of the mortgage investments were secured by income-producing properties ("IPP"), compared to 86.5% in Q3 2023. Multi-residential real estate assets (apartment buildings) continue to comprise the largest portion of the portfolio at 56.5% at quarter end, compared to 58.2% in Q3 2023.

The Company's exposure to first mortgages was 88.9% of the net mortgage portfolio at year end. WALTV of 65.6% was lower compared to 67.0% WALTV in Q3 2023. The improvement in WALTV is mostly explained by new loans funded at lower LTV while loans with higher LTV were discharged in the fourth quarter. Our weighted average interest rate in Q4 2023 was 10.0% with an exit rate of 10.0% as at December 31, 2023, which is slightly lower than the 10.1% exit rate at September 30, 2023. The distributable income payout ratio was 82.0% in Q4 2023.

The Company's mortgage portfolio remains heavily weighted toward Canada's largest provinces, with approximately 96.0% of the capital invested in Ontario, British Columbia, Quebec and Alberta, and focused on urban markets that generally experience better real estate liquidity. Originations in the quarter were largely centered around low LTV multi-family assets. Management continues to see a good volume of opportunities in its core multi-residential categories and industrial. The Company believes it can achieve the appropriate risk/return while providing safety in additional diversification.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

FINANCIAL HIGHLIGHTS
KEY FINANCIAL
POSITION INFORMATION

	December 31, 2023	December 31, 2022	December 31, 2021
Net mortgage investments ¹	\$ 946,222	\$ 1,195,809	\$ 1,159,634
Enhanced Return Portfolio ¹	\$ 62,658	\$ 72,945	\$ 84,603
Real estate inventory net of collateral liability	\$ 92,556	\$ 30,245	\$ —

CAPITAL STRUCTURE

Total assets	\$ 1,785,957	\$ 1,916,039	\$ 1,732,064
Total liabilities	\$ 1,084,818	\$ 1,217,496	\$ 1,047,481
Shareholders' equity	\$ 701,139	\$ 698,543	\$ 684,583
Book value per share	\$ 8.45	\$ 8.33	\$ 8.33
Convertible debentures, par	\$ 146,000	\$ 146,000	\$ 146,000
Credit facility	\$ 259,704	\$ 450,347	\$ 449,869
Total debentures and credit facility utilized	\$ 405,704	\$ 596,347	\$ 595,869
Maximum credit limit available	\$ 515,537	\$ 700,528	\$ 711,690
Credit utilization rate	78.7 %	85.1 %	83.7 %

COMMON SHARE INFORMATION

Number of common shares outstanding	83,009,516	83,887,516	82,219,602
Closing trading price	\$ 6.67	\$ 7.11	\$ 9.61
Market capitalization	\$ 553,673	\$ 596,440	\$ 790,130

1. Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

OPERATING RESULTS¹

	Three months ended December 31,		Year ended December 31,		
	2023	2022	2023	2022	2021
NET INCOME AND COMPREHENSIVE INCOME					
Net investment income on financial assets measured at amortized cost	\$29,722	\$31,342	\$ 124,205	\$ 109,803	\$ 90,249
Fair value gain and other income on financial assets measured at FVTPL	463	736	1,282	1,388	(10,291)
Net rental income (loss)	327	(278)	(595)	(151)	1,499
Fair value gain (loss) on real estate properties	—	82	63	(296)	(4,374)
Expenses	(5,443)	(6,671)	(19,140)	(22,592)	(16,237)
Income from operations	\$25,069	\$25,211	\$ 105,815	\$ 88,152	\$ 60,846
Financing costs:					
Financing cost on credit facility	(7,846)	(8,137)	(30,396)	(23,234)	(16,734)
Financing cost on convertible debentures	(2,249)	(2,260)	(8,998)	(9,022)	(6,745)
Fair value gain on derivative contract	—	—	—	—	(3,940)
Net income and comprehensive income	\$14,974	\$ 14,814	\$ 66,421	\$ 55,896	\$ 41,307
Payout ratio on earnings per share	95.8 %	97.7 %	86.7 %	103.3 %	135.9 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME					
Net income and comprehensive income	\$14,973	\$14,814	\$ 66,421	\$ 55,896	\$ 41,307
Add: fair value gain on derivative contract (interest rate swap)	—	—	—	—	(3,940)
Add: Net unrealized (gain) loss on financial assets measured at FVTPL	(292)	(122)	(342)	1,546	13,748
Add: Net unrealized loss on real estate properties	—	—	—	95	4,374
Adjusted net income and comprehensive income¹	\$14,681	\$14,692	\$ 66,078	\$ 57,537	\$ 55,489
Payout ratio on adjusted earnings per share ¹	97.7 %	98.6 %	87.2 %	100.3 %	101.2 %
PER SHARE INFORMATION					
Dividends declared to shareholders	\$14,340	\$14,480	\$ 57,603	\$ 57,721	\$ 56,142
Weighted average common shares (in thousands)	83,176	83,970	83,509	83,622	81,325
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.69	\$ 0.69	\$ 0.69
Earnings per share (basic)	\$ 0.18	\$ 0.18	\$ 0.80	\$ 0.67	\$ 0.51
Earnings per share (diluted)	\$ 0.18	\$ 0.18	\$ 0.78	\$ 0.67	\$ 0.51
Adjusted earnings per share (basic) ¹	\$ 0.18	\$ 0.17	\$ 0.79	\$ 0.69	\$ 0.68
Adjusted earnings per share (diluted) ¹	\$ 0.18	\$ 0.17	\$ 0.78	\$ 0.69	\$ 0.68

1. Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

OPERATING RESULTS¹

DISTRIBUTABLE INCOME	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Adjusted net income and comprehensive income ¹	\$ 14,681	\$ 14,692	\$ 66,078	\$ 57,537
Less: Amortization of lender fees	(1,886)	(1,748)	(8,279)	(8,726)
Add: Lender fees received and receivable	2,163	2,056	6,597	7,708
Add: Amortization of financing costs, credit facility	399	262	953	984
Add: Amortization of financing costs, convertible debentures	243	253	972	1,006
Add: Accretion expense, convertible debentures	114	114	454	454
Add: Unrealized fair value gain on DSU	(8)	(33)	(67)	(201)
Add: Expected credit loss	1,782	2,800	3,649	7,482
Distributable income¹	\$ 17,488	\$ 18,396	\$ 70,357	\$ 66,244
Payout ratio on distributable income ¹	82.0 %	78.7 %	81.9 %	87.1 %
PER SHARE INFORMATION				
Dividends declared to shareholders	\$ 14,340	\$ 14,480	\$ 57,603	\$ 57,721
Weighted average common shares (in thousands)	83,176	83,970	83,509	83,622
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.69	\$ 0.69
Distributable income per share ¹	\$ 0.21	\$ 0.22	\$ 0.84	\$ 0.79

1. Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

For the three months ended December 31, 2023 ("Q4 2023") and December 31, 2022 ("Q4 2022")

- The net mortgage investment portfolio has decreased by \$122.4 million from \$1,068.6 million at the end of Q3 2023, to \$946.2 million at the end of Q4 2023 (Q4 2022 – \$1,195.8 million). The Company advanced \$77.3 million in net mortgage investments, offset by total mortgage portfolio repayments of \$199.7 million, including borrower repayments of \$176.2 million.
- On net mortgage investment advances, the Company advanced 7 new net mortgage investments (Q4 2022 – 7) totaling \$61.2 million (Q4 2022 – \$138.6 million) and made additional advances on existing net mortgage investments of \$16.2 million (Q4 2022 – \$13.1 million). The collateral on new advances in net mortgage investments comprised of mainly multi-residential real estate assets. The weighted average interest rate on new net mortgage investments' advances was 9.9%, an increase from 9.0% in Q3 2023 (Q4 2022 – 9.0%).
- On net mortgage investment repayments, 18 net mortgage investments (Q4 2022 – 14) were fully repaid. The Company received total mortgage portfolio repayments of \$199.7 million (Q4 2022 – \$208.7 million), including borrower repayments of \$176.2 million (Q4 2022 – \$211.4 million). The weighted average interest rate on fully repaid net mortgage investments was 10.6%, consistent with 10.6% in Q3 2023 (Q4 2022 – 9.1%). The turnover ratio was 19.2% for Q4 2023 compared to 17.2% in Q4 2022.
- The quarterly weighted average interest rate on net mortgage investments was 10.0% in Q4 2023, compared to 9.9% in Q3 2023 (Q4 2022 – 9.7%).
 - In Q4 2023 first mortgage positions represented 88.9% of the net mortgage investments whereas first mortgage positions represented 92.4% of the net mortgage investments in Q4 2022 .
 - Interest rate exposure in the existing portfolio was well protected at the end of Q4 2023 floating rate loans with rate floors representing 86.1% (Q4 2022 – 88.5%). Of the remaining portfolio, 7.2% (Q4 2022 – 5.4%) is allocated to floating rate loans without floors and 6.7% (Q4 2022 – 6.0%) is allocated to fixed rate loans.
- Other investments within the enhanced return portfolio were \$62.7 million (Q4 2022 – \$72.9 million), year-over-year decrease of \$10.2 million primarily due to loan repayments partially offset by investment in equity instrument.
- Net investment income on financial assets measured at amortized cost decreased by \$1.6 million from the previous year (\$29.7 million in Q4 2023 compared to \$31.3 million in Q4 2022), predominantly due to lower average balance in net mortgage investments (\$1,042.6 million in Q4 2023 compared to \$1,227.4 million in Q4 2022).
- Fair value gain and other income on financial assets measured at FVTPL decreased from a net gain of \$0.7 million in Q4 2022. to a net gain \$463 in Q4 2023 due to lower fair value mortgage balance.
- Net rental income of \$327 (Q4 2022 – loss of \$278) includes three months of net rental income of \$0.7 million (Q4 2022 – nil) from the real estate properties inventory which were acquired on August 31, 2023. Net rental income was partially offset by net rental loss from land inventory of \$332 (Q4 2022 – loss of \$278) which was acquired in May 2022.
- No fair value gain or loss on real estate properties was recorded in Q4 2023 (Q4 2022 – loss of \$296).
- Expenses for the quarter were \$5.4 million (Q4 2022 – \$6.7 million).
 - Management fees of \$2.8 million (Q4 2022 – \$3.0 million). The average gross assets were \$1,213.4 million compared to \$1,344.3 million in Q4 2022.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

- General and administrative expenses of \$0.7 million for Q4 2023 (Q4 2022 – \$0.6 million), after adjusting for the impact of DSU market-to-market gains of \$8 (Q4 2022 – gains of \$33) and foreign exchange losses of \$56 (Q4 2022 – losses of \$211), adjusted general and administrative expenses were \$0.6 million (Q4 2022 – \$430) for the quarter, representing an increase of \$185 over the comparable quarter. Increase is largely driven by an increase in professional fees in the quarter.
- Provisions for mortgage investment expected credit losses of \$1.8 million for Q4 2023 (Q4 2022 – \$2.8 million). The reduction is largely driven by the recovery of \$1.6 million provisions from Stage 3 loans which are now in Stage 1 and have subsequently been fully repaid with no losses. Offsetting this is an increase in Stage 2 and 3 loan loss provisions of \$1.4 million which include provisions for interest not yet earned.
- Income from operations saw a \$100 decrease over the prior year (\$25.1 million in Q4 2023 compared to \$25.2 million in Q4 2022) largely driven by a decrease in ECL provisions of \$1.0 million as noted above, partially offset by a decrease in net investment income of \$1.6 million.
- Financing cost on the credit facility was \$7.8 million (Q4 2022 – \$8.1 million), including interest expense of \$7.4 million (Q4 2022 – \$7.9 million) and financing cost amortization of \$401 (Q4 2022 – \$262). A decrease in interest expense of \$428 over the prior year comparative period is primarily due to a \$137.3 million decrease in average credit utilization (Q4 2023 was \$359.0 million compared to \$496.3 million in Q4 2022), partially offset by the increased base rate of borrowing of 75 basis points since the comparable quarter (Q4 2023 – prime rate of 7.20% compared to Q4 2022 – 6.45%).
- Financing cost on the convertible debentures was \$2.2 million (Q4 2022 – \$2.3 million), including interest expense of \$1.9 million (Q4 2022 – \$1.9 million) and financing cost amortization and accretion expense of \$357 (Q4 2022 – \$367).
- Net income and comprehensive income of \$15.0 million (Q4 2022 – \$14.8 million) or basic earnings per share of \$0.18 (Q4 2022 – \$0.18 basic earnings per share), representing a payout ratio of 95.8% (Q4 2022 – 97.7%).
- After adjusting for the unrealized fair value gain from financial assets measured at FVTPL of \$292 (Q4 2022 – gain of \$122), the Company generated adjusted net income and comprehensive income of \$14.7 million (Q4 2022 – \$14.7 million) or basic and diluted adjusted earnings per share of \$0.18 and \$0.18 (Q4 2022 – \$0.17 and \$0.17 basic and diluted adjusted earnings per share).
- The Company declared \$14.3 million in dividends to common shareholders (Q4 2022 – \$14.5 million), representing a payout ratio of 97.7% (Q4 2022 – 98.6%) on an adjusted earnings per share basis.
- Non-refundable lender fees recorded were \$2.2 million (Q4 2022 – \$2.1 million), origination activity is lower in the comparable quarter, \$61.2 million in Q4 2023 versus \$138.6 million issued in Q4 2022. The quarterly weighted average lender fees on new and renewed mortgages was 1.0% during the quarter (Q4 2022 – 1.2%), while the quarterly weighted average lender fee on new mortgages only was 1.2% (Q4 2022 – 1.4%).
- The Company generated distributable income of \$17.5 million (Q4 2022 – \$18.4 million) or distributable income per share of \$0.21 (Q4 2022 – \$0.22 per share) representing a payout ratio of 82.0% (Q4 2022 – 78.7%) for the quarter.
- The Company repurchased 332,600 common shares in Q4 2023 (Q4 2022 – 107,500) for cancellation at an average price of \$6.53 (Q4 2022 – \$7.20) per share.
- The Company paused its ATM program starting in Q3 2022 due to depressed stock price. Under the program, the Company was allowed to issue common share from treasury for up to \$90 million prior to July 11, 2023.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

For the years ended December 31, 2023 ("2023") and December 31, 2022 ("2022")

- The net mortgage investment portfolio as at December 31, 2023 decreased by \$249.6 million to \$946.2 million from the net mortgage investment portfolio as at December 31, 2022 of \$1,195.8 million. The Company advanced \$313.2 million in net mortgage investments, offset by total mortgage portfolio repayments of \$498.4 million, including borrower repayments of \$427.6 million. In addition, the Company also exchanged a mortgage investment of \$64.4 million for ownership of the underlying collateral, which it intends to sell.
- The Company advanced 27 new net mortgage investments (2022 – 48) totaling \$223.4 million (2022 – \$559.1 million), made additional advances on existing net mortgage investments totaling \$89.8 million (2022 – \$77.6 million).
- On net mortgage investment repayments, 46 (2022 – 44) were fully repaid with a balance of \$390.9 million (2022 – \$395.3 million). Partial repayments on net mortgage investments were \$36.6 million (2022 – \$77.8 million). Additionally, the Company syndicated out \$70.8 million of its mortgage investments during 2023 (2022 – \$93.7 million).
- WALTV decreased to 65.6% as at December 31, 2023 compared to 68.3% as at December 31, 2022. This is primarily due to new mortgage originations at lower LTVs and repayment of loans with higher LTVs.
- Net mortgage investments of \$946.2 million bore a weighted average interest rate of 10.0% as at December 31, 2023 (December 31, 2022 – \$1,195.8 million, 10.0%). Weighted average interest rate in the existing net mortgage portfolio is well protected at the end of Q4 2023 with only 6.7% of the portfolio at fixed interest rates (December 31, 2022 – 6.0%) and floating interest rate loans with rate floors representing 86.1% of the portfolio (December 31, 2022 – 88.5%).
- Other investments within the enhanced return portfolio were \$62.7 million, including an expected credit loss of \$337 (December 31, 2022 – \$72.9 million and \$0.7 million, respectively). The decrease in other investments was primarily due to repayments of other loan investments of \$13.5 million in the year, partially offset by an investment of \$3.0 million in equity instrument.
- Net investment income on financial assets measured at amortized cost was \$124.2 million (2022 – \$109.8 million), an increase of \$14.4 million, or 13.1% from 2022. The increase in net investment income was primarily driven by 475 basis points Bank of Canada policy rate increases over past two years (December 31, 2023 – prime rate of 7.20% compared to December 31, 2022 - prime rate of 6.45%, and January 1, 2022 – prime rate of 2.45%), partially offset by lower average net mortgage investments through the year.
- Fair value gain and other income on financial assets measured at FVTPL was consistent with prior year, a net gain of \$1.3 million in 2023 compared to a net gain of \$1.4 million in 2022.
- Net rental loss from real estate inventory was \$0.6 million (2022 – loss of \$151), consists of four months of net rental income of \$0.9 million (2022 – nil) from the real estate properties inventory which was acquired on August 31, 2023. Net rental income from the real estate properties inventory was offset by the net rental loss from land inventory of \$1.5 million (2022 – loss of \$0.7 million) which was acquired in May 2022.
- Fair value gain of \$63 on real estate properties was recorded in 2023 (2022 – loss of \$296).
- Expenses for 2023 were \$19.1 million (2022 – \$22.6 million).
 - Management fees of \$11.8 million (2022 – \$12.2 million). The average gross assets were lower at \$1,243.3 million compared to \$1,362.2 million in 2022.
 - General and Administrative expenses of \$2.9 million (2022 – \$2.1 million), after adjusting for the impact of DSU mark-to-market gains of \$67 (2022 – gains of \$201) and foreign exchange losses of \$71 (2022 – gains \$144), adjusted general and administrative expenses were \$2.9 million (2022 – \$2.5 million). Included in general and administration expenses for the year are \$0.8 million of legal costs associated with Stage 3 loans in Quebec which may be recovered by the Company.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

- Provisions for mortgage investment losses for the year were \$3.6 million (2022 – \$7.5 million), higher provisions in 2022 were related to new Stage 3 loans, which either reversed/transferred or remained consistent in 2023. 2023 provisions are reflective of the recovery of a \$0.8 million provision from Stage 3 loans which are now in Stage 1 and have subsequently been fully repaid with no losses. Offsetting this are additional Stage 2 and Stage 3 loan loss provisions of \$3.4 million which include provisions for interest not yet earned.
- The Company generated income from operations of \$105.8 million (2022 – \$88.4 million). This is an increase of \$17.6 million or 20.0% from 2022 driven by the factors noted above.
- Financing costs on credit facility were \$30.4 million (2022 – \$23.0 million), including interest expense of \$29.4 million (2022 – \$22.0 million) and financing cost amortization of \$1.0 million (2022 – \$1.0 million). The significant increase in financing costs was primarily due to 475 basis points of Bank of Canada policy rate increases over the two year comparable period (December 31, 2023 – prime rate of 7.20% compared to December 31, 2022 at 6.45% and January 1, 2022 at 2.45%), partially offset by a 24% lower average utilization of the credit facility (2023 – \$390.9 million versus 2022 – \$510.9 million).
- Financing costs on convertible debentures were \$9.0 million (2022 – \$9.0 million), including interest expense of \$7.6 million (2022 – \$7.6 million), same as prior year and amortization and accretion of \$1.4 million (2022 – \$1.5 million).
- The Company generated net income and comprehensive income of \$66.4 million (2022 – \$56.3 million) or basic and diluted earnings per share of \$0.80 and \$0.78 (2022 – basic and diluted earnings per share of \$0.67), representing a payout ratio on earnings per share of 86.7% (2022 – 103.3%). The results were significantly improved over the prior year period as a result of higher top-line interest income and lower expected credit loss.
- The Company generated adjusted net income and comprehensive income of \$66.1 million (2022 – \$57.5 million) or basic and diluted adjusted earnings per share of \$0.79 and \$0.78 (2022 – basic and diluted adjusted earnings per share of \$0.69). The Company declared \$57.6 million in dividends (2022 – \$57.7 million) to common shareholders, representing a payout ratio of 87.2% (2022 – 100.3%) on an adjusted earnings per share basis.
- Non-refundable lender fees recorded were \$6.6 million (2022 – \$7.7 million). Lender fees decreased mainly due to lower origination activities. The overall weighted average lender fee on new and renewed mortgages during the year was 1.0% (2022 – 1.1%), while the weighted average lender fee on only new mortgages funded in 2023 was 1.3% (2022 – 1.2%)
- The Company generated distributable and adjusted distributable income of \$70.4 million (2022 – \$66.2 million) or distributable and adjusted distributable income per share of \$0.84 (2022 – distributable and adjusted distributable income per share of \$0.79), representing a payout ratio of 81.9% (2022 – 87.1%) on a distributable and adjusted distributable income basis.
- The Company repurchased 878,000 common shares (2022 – 117,500) for \$6.2 million (2022 – \$0.8 million) at an average price of \$7.09 (2022 – \$7.20) per share.
- The company paused its ATM program from Q3 2022. During 2023, the Company did not issue any common shares from treasury under the program. During 2022, the Company issued 1,504,300 common shares for gross proceeds of \$14.3 million at an average price of \$9.52 per common share.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Net investment income on financial assets measured at amortized cost

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

During Q4 2023 and 2023, the Company earned net investment income on financial assets measured at amortized cost of \$29.7 million and \$124.2 million (Q4 2022 – \$31.3 million; 2022 – \$109.8 million). Net investment income includes the following:

a. Interest income

During Q4 2023 and 2023, the Company earned interest income on mortgage investments at amortized cost of \$26.5 million and \$110.2 million (Q4 2022 – \$28.9 million; 2022 – \$96.0 million). The decrease in interest income for the quarter was due to higher turnover on loan repayments, resulting in net mortgage investments balance decreasing from \$1,195.8 million at December 31, 2022, to \$946.2 million at December 31, 2023. The overall increase in interest income for the year is primarily explained by higher weighted average interest rate of 9.9% on \$1,110.9 million average net mortgage balance, compared to weighted average interest rate of 8.1% on \$1,187.4 million in 2022.

During Q4 2023 and 2023, the Company earned \$1.2 million and \$5.0 million (Q4 2022 – \$1.1 million; 2022 – \$5.3 million) of interest income on other loan investments in the enhanced return portfolio. Quarter over quarter interest income is consistent, average interest rate increased slightly driving revenues up, offset by lower average loan balance in other loan investments. The decrease in interest income for the year is a result of lower average balance in other loan investments.

b. Lender fee income

During Q4 2023 and 2023, the Company recognized income from amortization of lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities of \$1.8 million and \$7.9 million (Q4 2022 – \$1.8 million; 2022 – \$8.5 million). Additionally, in Q4 2023 and 2023, the Company recorded non-refundable lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities, of \$2.2 million and \$6.3 million (Q4 2022 – \$2.0 million; 2022 – \$7.4 million), which are amortized to interest income over the term of the related net mortgage investments using the effective interest rate method.

During Q4 2023 and 2023, the Company recognized income from amortization of lender fees on other loan investments of \$66 and \$407 (Q4 2022 – reversal of \$78; 2022 – income of \$267). Additionally, in Q4 2023 and 2023, the Company recorded non-refundable upfront cash lender fees of nil and \$300 (Q4 2022 – \$103; 2022 – \$296), which are amortized over the term of the related other loan investments using the effective interest rate method.

The weighted average lender fee on new and renewed mortgages of 1.0% and 1.0% for 2023, respectively (Q4 2022 – 1.2%; 2022 – 1.1%), while the weighted average lender fee on new mortgages only was 1.2% and 1.3% for 2023, respectively (Q4 2022 – 1.4%; 2022 – 1.2%).

c. Other income/loss

During 2023, the Company recognized other income of \$177 and \$0.7 million (Q4 2022 – \$177; 2022 – \$487), attributable to bank interest income and income from lease receivables.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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

During Q4 2023 and 2023, the Company recognized fair value gain and other income on financial assets measured at FVTPL of \$463 and \$1.3 million (Q4 2022 – \$0.7 million; 2022 – \$1.4 million).

The Company generated net interest income and other income on net mortgage investments measured at FVTPL of \$171 in Q4 2023 and \$0.7 million in 2023 (Q4 2022 – \$0.7 million; 2022 – \$1.9 million). The Company continues to measure its FVTPL assets using the direct comparison method, comparing the assets to directly comparable properties and has not recorded any fair value adjustments during the year (Q4 2022 – fair value loss of \$122; 2022 – fair value loss of \$1.7 million).

On investment in participating debentures measured at FVTPL, during Q4 2023 and 2023, the Company received total cash distribution of nil and \$1.0 million, respectively (Q4 2022 – \$46; 2022 – \$0.6 million), out of which nil and \$0.7 million were a return of capital on the investment (Q4 2022 – \$1; 2022 – \$174), nil and \$274 were a distribution of income (Q4 2022 – \$45; 2022 – \$452). During Q4 2023 and 2023, the Company recognized an unrealized fair value gain of \$292 and \$342 (Q4 2022 – gain \$409; 2022 – loss of \$67).

Net rental income (loss) from real estate inventory

Real estate inventory generated net rental income of \$327 during Q4 2023 and net rental loss of \$0.6 million during 2023, respectively (Q4 2022 – loss of \$278; 2022 – loss of \$151).

Land inventory operations which were acquired in May 2022, incurred net rental loss of \$332 in Q4 2023 and \$1.5 million in 2023 (Q4 2022 – loss of \$278; 2022 – loss of \$0.7 million).

Real estate properties inventory which were acquired in August 2023, generated net rental income of \$0.7 million in Q4 2023 and \$0.9 million in 2023 (Q4 2022 – nil; 2022 – nil).

In 2022, net rental income for the year includes \$0.5 million that was related to investment properties which were disposed on April 28, 2022.

Fair value loss on real estate properties

In the year ended 2023, no fair value loss recognized on current real estate properties. The Company received \$63 in final distributions of working capital release from an investment property disposed in 2022. Recovery received in 2023 partially offsets loss of \$296 recognized in 2022.

Expenses**Management, Servicing and Arrangement Fees**

The management agreement has a term of 10 years that commenced on April 1, 2020 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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 Q4 2023 and 2023, the Company incurred management fees of \$2.8 million and \$11.8 million (Q4 2022 – \$3.0 million; 2022 – \$12.2 million). The average gross assets were \$1,213.4 million and \$1,243.3 million (Q4 2022 – \$1,344.3 million and 2022 – \$1,362.2 million). For Q4 2023 and 2023, the Company incurred \$177 and \$0.7 million, respectively (Q4 2022 – \$217 and 2022 – \$0.8 million) in servicing fees. For Q4 2023 and 2023, Arrangement Fees of \$299 and \$0.8 million, respectively, paid by borrower were retained by the Manager (Q4 2022 – \$202 and 2022 – \$0.8 million).

Loan loss provisions

Provisions for mortgage investment losses for Q4 2023 and 2023 were \$1,782 and \$3.6 million (Q4 2022 – \$2.8 million; 2022 – \$7.5 million). Higher provisions in 2022 was related to new Stage 3 loans recognized in the previous year, which either reversed or remained consistent this year. Lower provisions in the current year are largely driven by the recovery of a \$1.6 million provision from Stage 3 loans which are now in Stage 1 and have subsequently been fully repaid with no losses. Offsetting this are additional Stage 2 and Stage 3 loan loss provisions which include a provision for 12 month forward interest not yet earned. The loan loss provisions are an approximation of losses on the Stage 2 and Stage 3 loans and include future interest on the loans until the anticipated exit/resolution date of the loan.

General and administrative

For Q4 2023 and 2023, the Company incurred general and administrative expenses of \$0.7 million and \$2.9 million, respectively (Q4 2022 – \$0.6 million; 2022 – \$2.1 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees, legal fees, non-reimbursable legal fees, other operating costs, administration of the mortgage and other investments portfolio, DSU expense including mark-to-market adjustments and foreign exchange net losses.

After adjusting for foreign currency net realized and unrealized losses of \$56 and \$71 for Q4 2023 and 2023, and non-cash mark to market gains on DSUs of \$8 and \$67, for Q4 2023 and 2023 respectively, general and administrative expenses would have been \$0.6 million and \$2.9 million for Q4 2023 and 2023 (\$430 and \$2.5 million for Q4 2022 and 2022). The adjusted increase compared to prior quarter relates to professional fees, while an increase in the year was mainly due to non-reimbursable legal costs associated with Stage 3 loans in Quebec.

Financing Costs**Financing cost on credit facility**

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q4 2023 and 2023, included in financing costs is interest on the credit facility of \$7.4 million and \$29.4 million (Q4 2022 – \$7.9 million; 2022 – \$22.0 million), respectively. Additionally, financing costs amortization of \$400 and \$1.0 million (Q4 2022 – \$262; 2022 – \$1.0 million) were included in financing costs.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

The quarterly interest expense on credit facility was \$0.5 million lower in Q4 2023 compared to Q4 2022 mainly due to lower average credit utilization (Q4 2023 \$359.0 million compared to \$496.3 million in Q4 2022). Higher interest expense on credit facility in 2023 compared to 2022 was mainly due to higher borrowing rates (prime rate increased by 475 bps from 2022 to 2023), partially offset by the overall lower average credit utilization of \$390.9 million in 2023 (2022 – \$510.9 million).

For 2022 comparative period, the company incurred interest on the credit facility relating to investment properties disposed on April 2022, Q4 2022 and 2022 financing costs were nil and \$253, respectively.

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 December 31, 2023. 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		Year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Interest on the convertible debentures	\$ 1,893	\$ 1,893	\$ 7,572	\$ 7,562
Amortization of issue costs and accretion of the convertible debentures	357	367	1,426	1,460
Total financing cost on convertible debentures	\$ 2,250	\$ 2,260	\$ 8,998	\$ 9,022

Earnings per share

PER SHARE INFORMATION	Three months ended		Year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.69	\$ 0.69
Earnings per share (basic)	\$ 0.18	\$ 0.18	\$ 0.80	\$ 0.67
Earnings per share (diluted)	\$ 0.18	\$ 0.18	\$ 0.78	\$ 0.67
Adjusted earnings per share (basic) ¹	\$ 0.18	\$ 0.17	\$ 0.79	\$ 0.69
Adjusted earnings per share (diluted) ¹	\$ 0.18	\$ 0.17	\$ 0.78	\$ 0.69
Distributable income per share ¹	\$ 0.21	\$ 0.22	\$ 0.84	\$ 0.79

1. Refer to non-IFRS measures section.

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

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

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

STATEMENTS OF FINANCIAL POSITION
Net Mortgage Investments

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

Net Mortgage Investments	December 31, 2023		December 31, 2022	
Mortgage investments, excluding mortgage syndications	\$	943,488	\$	1,189,215
Mortgage syndications		601,624		611,291
Mortgage investments, including mortgage syndications		1,545,112		1,800,506
Mortgage syndication liabilities		(601,624)		(611,291)
		943,488		1,189,215
Interest receivable		(14,585)		(10,812)
Unamortized lender fees		5,226		6,801
Expected credit loss		12,093		10,605
Net mortgage investments	\$	946,222	\$	1,195,809

Net mortgage investments statistics and ratios¹	Three months ended		Year ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Total number of mortgage investments	94	113	94	113
Average net mortgage investment	\$ 11,092	\$ 10,862	\$ 11,092	\$ 10,862
Average net mortgage investment portfolio	\$ 1,042,629	\$ 1,227,371	\$ 1,110,926	\$ 1,187,365
Weighted average interest rate for the period	10.0 %	9.7 %	9.9 %	8.1 %
Weighted average lender fees for the period	1.0 %	1.2 %	1.0 %	1.1 %
Turnover ratio	19.2 %	17.2 %	44.9 %	39.8 %
Average remaining term to maturity (years)	0.7	0.9	0.7	0.9
Net mortgage investments secured by cash-flowing properties	86.0 %	87.4 %	86.0 %	87.4 %
WALTV	65.6 %	68.3 %	65.6 %	68.3 %

1. Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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	December 31, 2023			December 31, 2022		
	Number	Net Mortgage Investments		Number	Net Mortgage Investments	
Interest in first mortgages	82	\$ 841,264		102	\$ 1,105,431	
Interest in second and third mortgages ¹	12	104,958		11	90,378	
	94	\$ 946,222		113	\$ 1,195,809	

¹Included in the Company's interest in second and third mortgages as at December 31, 2023 was \$14.1 million of the net mortgage investments in which the Company holds a subordinated position (December 31, 2022 – \$12.5 million). The Company's syndicated partners who hold a senior position as at December 31, 2023 was \$16.4 million (December 31, 2022 – \$14.2 million).

b. Region	December 31, 2023			December 31, 2022		
	Number	Net Mortgage Investments		Number	Net Mortgage Investments	
Quebec	25	\$ 278,226		36	\$ 449,571	
Ontario	32	306,163		33	295,664	
British Columbia	17	217,125		25	298,778	
Alberta	10	107,190		9	99,936	
Other (Saskatchewan, Nova Scotia, Manitoba and New Brunswick)	10	37,518		10	51,860	
	94	\$ 946,222		113	\$ 1,195,809	

c. Maturity	December 31, 2023			December 31, 2022		
	Number	Net Mortgage Investments		Number	Net Mortgage Investments	
2023	—	\$ —		65	\$ 676,561	
2024	62	679,801		41	398,124	
2025	22	198,624		5	45,284	
2026	9	67,672		2	75,840	
2027	1	125		—	—	
	94	\$ 946,222		113	\$ 1,195,809	

d. Asset Type / WALTV at origination	December 31, 2023			December 31, 2022		
	Number	Net Mortgage Investments	WALTV at origination	Number	Net Mortgage Investments	WALTV at origination
Multi-Residential ¹	62	\$ 534,209	69.2%	68	\$ 627,892	70.4%
Retail	9	149,127	70.3%	12	151,806	70.4%
Unimproved Land ²	2	28,755	36.7%	2	30,143	61.6%
Improved Land ³	3	28,816	55.4%	3	25,954	55.2%
Office	6	75,028	58.8%	6	83,556	62.5%
Retirement	1	14,299	71.3%	2	78,649	80.8%
Industrial	7	61,090	51.9%	16	109,424	60.1%
Single-Residential	3	49,398	55.4%	3	82,885	54.0%
	93	940,722	65.3%	112	1,190,309	67.9%
Net mortgage investments measured at FVTPL	1	5,500	n/a	1	5,500	n/a
	94	\$ 946,222		113	\$ 1,195,809	

¹ Includes 6 construction loans (December 31, 2022 – 6) totaling \$40.3 million (December 31, 2022 – \$27.2 million). Construction loans are provided for the purposes of building a new asset.

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

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

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

Mortgage syndication liabilities

The Company enters into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third-party lenders take the senior position, and the Company retains the subordinated position

These agreements generally provide an option 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. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment. In one participation agreement, an option is provided to the third-party lender to sell their senior position back to the Company, at a purchase price equal to the outstanding principal amount of \$35.1 million, the lenders' proportionate share together with all accrued interest. The Company has mortgage syndication liabilities of \$601.6 million (December 31, 2022 – \$611.3 million). In general, mortgage syndication liabilities vary from quarter to quarter and are dependent on the type of investments seen at any particular time and are not necessarily indicative of a future trend.

Expected Credit Loss ("ECL")

The expected credit losses are maintained at a level that management considers adequate to absorb credit-related losses on our mortgage and other loan investments, measured at amortized cost. The expected credit losses amounted to \$12.4 million as at December 31, 2023 (December 31, 2022 – \$11.4 million), of which \$12.1 million (December 31, 2022 – \$10.6 million) was recorded against mortgage investments and \$337 (December 31, 2022 – \$0.7 million) was recorded against other investments.

	As at December 31, 2023				As at December 31, 2022			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	\$ 943,841	\$ 58,235	\$ 51,293	\$1,053,369	\$1,020,893	\$ —	\$ 132,767	\$1,153,660
Mortgage syndication liabilities ¹	417,639	40,280	38,862	496,781	382,077	—	60,361	442,438
Net mortgage investments	526,202	17,955	12,431	556,588	638,816	—	72,406	711,222
Expected credit losses ²	780	280	395	1,455	1,424	—	1,409	2,833
	525,422	17,675	12,036	555,133	637,392	—	70,997	708,389
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	425,157	15,357	65,641	506,155	628,128	—	32,227	660,355
Mortgage syndication liabilities ¹	107,493	—	—	107,493	170,508	—	—	170,508
Net mortgage investments	317,664	15,357	65,641	398,662	457,620	—	32,227	489,847
Expected credit losses ²	560	732	9,346	10,638	414	—	7,358	7,772
	317,104	14,625	56,295	388,024	457,206	—	24,869	482,075
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	47,399	—	—	47,399	60,742	—	—	60,742
Mortgage syndication liabilities ¹	—	—	—	—	—	—	—	—
Net mortgage investments	47,399	—	—	47,399	60,742	—	—	60,742
Expected credit losses ²	337	—	—	337	745	—	—	745
	\$ 47,062	\$ —	\$ —	\$ 47,062	\$ 59,997	\$ —	\$ —	\$ 59,997

¹Including interest receivable.

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

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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

	Year Ended December 31, 2023				Year Ended December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments								
Balance at beginning of period	\$ 1,424	\$ —	\$ 1,409	\$ 2,833	\$ 882	\$ —	\$ —	\$ 882
Expected credit losses:								
Remeasurement	(623)	239	1,556	1,172	352	—	1,277	1,629
Transfer to/(from)								
Stage 1	(41)	—	—	(41)	(132)	—	—	(132)
Stage 2	—	41	—	41	—	—	—	—
Stage 3	—	—	—	—	—	—	132	132
Total expected credit losses	760	280	2,965	4,005	1,102	—	1,409	2,511
Fundings	218	—	—	218	698	—	—	698
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(198)	—	—	(198)	(376)	—	—	(376)
Derecognition against inventory	—	—	(2,570)	(2,570)	—	—	—	—
Balance at end of period	\$ 780	\$ 280	\$ 395	\$ 1,455	\$ 1,424	\$ —	\$ 1,409	\$ 2,833
Other Mortgage Investments								
Balance at beginning of period	\$ 414	\$ —	\$ 7,358	\$ 7,772	\$ 283	\$ 52	\$ 1,753	\$ 2,088
Expected credit losses:								
Remeasurement	269	727	1,925	2,921	119	—	5,553	5,672
Transfer to/(from)								
Stage 1	(68)	—	—	(68)	—	—	—	—
Stage 2	—	5	—	5	—	(52)	—	(52)
Stage 3	—	—	63	63	—	—	52	52
Total expected credit losses	615	732	9,346	10,693	402	—	7,358	7,760
Fundings	25	—	—	25	58	—	—	58
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(80)	—	—	(80)	(46)	—	—	(46)
Balance at end of period	\$ 560	\$ 732	\$ 9,346	\$ 10,638	\$ 414	\$ —	\$ 7,358	\$ 7,772
Other loan Investments								
Balance at beginning of period	\$ 745	\$ —	\$ —	\$ 745	\$ 898	\$ —	\$ —	\$ 898
Expected credit losses:								
Remeasurement	(364)	—	—	(364)	(111)	—	—	(111)
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total expected credit losses	381	—	—	381	787	—	—	787
Fundings	—	—	—	—	22	—	—	22
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(44)	—	—	(44)	(64)	—	—	(64)
Balance at end of period	\$ 337	\$ —	\$ —	\$ 337	\$ 745	\$ —	\$ —	\$ 745

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

The following is a brief summary of the other loans reported in Stage 3 and Stage 2:

Stage 3 loans:

1. \$12.4 million net mortgage investment in a multi-family loan currently part of a CCAA process in Montreal.
Status: In Q4 2023 the asset remained in Stage 3, however, a purchaser was selected through a bid process run by the receiver. The new purchaser will join the existing joint-venture owner to complete the construction of the multi-family asset. The borrowers have executed a forbearance agreement which includes the requirement for the borrowers to inject more equity into the project. The Company expects the loan to be performing in Q1 2024, including the Company being made current on its interest arrears. The Company ultimately expects full repayment of the loan.
2. \$15.6 million net mortgage investment condo inventory exposure in Edmonton.
Status: The Company is actively working to sell the remaining condo inventory. With the assumption that interest rates will start to decline in 2024, the Company anticipates sales activity to increase in 2024. The original inventory balance was \$23.7 million.
3. \$9.0 million net mortgage investment on a medical office building in Ottawa.
Status: The Company engaged a new property manager in Q2 2023 with deep expertise in the market to complete the leasing strategy. The investment team is confident that the intended repositioning plan of the asset will generate the best outcome for the property and the ultimate repayment of principal. At the same time, the Company is exploring redevelopment potential with excess density and potentially targeting a sales process in the first half of 2024.
4. \$38.5 million net mortgage investments in two office properties and one retail property with the same sponsor in Calgary
Status: The Company continues to be in discussions with the sponsorship group to execute on a forbearance agreement along with potential plans for the near-term sale of one of the assets. The Company expects to have a more fulsome update with its Q1 2024 financial results.

Stage 2 loans:

1. \$18.0 million net mortgage income producing multi-family loan in Edmonton.
Status: The loan was extended in Q4 2023 for a seven month period to enable the borrower to either sell the property or seek CMHC financing. The Company continues to expect full principal repayment on the loan.
2. \$15.4 million net mortgage investment relating to one income producing office asset in Calgary.
Status: A forbearance agreement has been signed. Additional structure has been implemented which will see bullet repayments on the loan subject to other non-Calgary related asset sales (via equity pledges) of in 2024/2025.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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

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

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

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

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

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

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

Default: Mortgage and loan investments that are more than 90 days past due on interest payment, or that are more than 90 days past due 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

	As at December 31, 2023				As at December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments								
Low risk	\$ 184,985	\$ —	\$ —	\$ 184,985	\$ 117,051	\$ —	\$ —	\$ 117,051
Medium-Low risk	248,215	—	—	248,215	324,592	—	—	324,592
Medium-High risk	93,002	17,955	—	110,957	194,748	—	—	194,748
High risk	—	—	—	—	2,425	—	—	2,425
Default	—	—	12,431	12,431	—	—	72,406	72,406
Net	526,202	17,955	12,431	556,588	638,816	—	72,406	711,222
Expected credit losses	780	280	395	1,455	1,424	—	1,409	2,833
Mortgage investments¹	525,422	17,675	12,036	555,133	637,392	—	70,997	708,389
Other Mortgage Investments								
Low risk	39,213	—	—	39,213	107,417	—	—	107,417
Medium-Low risk	178,835	—	—	178,835	233,874	—	—	233,874
Medium-High risk	99,616	15,357	—	114,973	116,329	—	—	116,329
High risk	—	—	—	—	—	—	—	—
Default	—	—	65,641	65,641	—	—	32,227	32,227
Net	317,664	15,357	65,641	398,662	457,620	—	32,227	489,847
Expected credit losses	560	732	9,346	10,638	414	—	7,358	7,772
Mortgage investments¹	317,104	14,625	56,295	388,024	457,206	—	24,869	482,075
Other loan Investments								
Low risk	—	—	—	—	—	—	—	—
Medium-Low risk	—	—	—	—	—	—	—	—
Medium-High risk	—	—	—	—	—	—	—	—
High risk	47,399	—	—	47,399	60,742	—	—	60,742
Default	—	—	—	—	—	—	—	—
Net	47,399	—	—	47,399	60,742	—	—	60,742
Expected credit losses	337	—	—	337	745	—	—	745
Other loan Investments¹	\$ 47,062	\$ —	\$ —	\$ 47,062	\$ 59,997	\$ —	\$ —	\$ 59,997

¹ Net of mortgage syndications.

Enhanced return portfolio

As at	December 31, 2023	December 31, 2022
Other loan investments, net of expected credit loss	\$ 47,033	\$ 59,956
Finance lease receivable, measured at amortized cost	6,020	6,020
Investment in participating debentures, measured at FVTPL	4,380	4,744
Investment in equity instrument, measured at FVTPL	3,000	—
Joint venture investment in indirect real estate development	2,225	2,225
Total Enhanced Return Portfolio	\$ 62,658	\$ 72,945

As at December 31, 2023, the Company held \$47.0 million in other loan investments, net of expected credit loss (December 31, 2022 – \$60.0 million).

In October 2017, the Company entered into a 20-year emphyteutic lease under which the lessee has the obligation to purchase the property at \$9.9 million at the end of the lease term on September 2038 and the option to purchase the property earlier based on a prescribed purchase price schedule. Refer to note 4(e) of the Consolidated Financial Statements for the years ended December 31, 2023, and 2022.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

As at December 31, 2023, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling \$4.4 million or €3.0 million (December 31, 2022 – \$4.7 million or €3.3 million).

As at December 31, 2023, the Company invested in equity instrument of Timbercreek Mortgage Servicing Inc. ("TMSI") totaling \$3.0 million (December 31, 2022 – nil).

As at December 31, 2023, the Company held \$2.2 million (December 31, 2022 – \$2.2 million) in indirect real estate developments through joint venture and associate, using the equity method.

Real estate inventory

Land inventory

On April 12, 2022, the Company obtained title to parcels of land, which it intends to sell, in exchange for the discharge of certain mortgage investments at FVTPL. On exchange the Company recognized a \$95 fair value loss on real estate properties.

As at December 31, 2023, the Company has land inventory of \$30.6 million (December 31, 2022 – \$30.2 million), which is recorded at the lower of cost and net realizable value.

Real estate properties inventory

On August 31, 2023, the Company, along with its syndication partners, elected to credit bid three properties which were subject to CCAA proceedings. The properties were previously the collateral for a mortgage investment at amortized cost. Effective August 31, 2023, the Company obtained the beneficial interest in the three properties in exchange for the discharge of the associated mortgage investments, on a non-cash basis. The Company intends to sell the properties, it has accordingly recorded them as inventory at the lower of cost and net realizable value less costs to sell. At the time of the exchange, the mortgage investment, net of syndication liability, had a carrying value of \$63.9 million comprised of net mortgage investment of \$64.4 million, net interest receivable of \$2.1 million and an ECL provision of \$2.6 million. The Company recognized the three properties as real estate inventory and accordingly recorded them along with associated working capital of \$1.9 million at a cost of \$132.9 million inclusive of the syndication partner's 50% share and recognized a corresponding real estate inventory collateral liability of \$69.0 million to the remaining participants in the discharged mortgage investment.

As at December 31, 2023, the Company has real estate properties inventory of \$131.0 million (December 31, 2022 – nil), which is recorded as the lower of cost and net realizable value.

As at	December 31, 2023	December 31, 2022
Real Estate Inventory	\$ 130,987	\$ —
Real Estate Inventory Collateral Liability	\$ (69,008)	\$ —
Real Estate Inventory, net of collateral liability	\$ 61,979	\$ —

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

Credit facility

As at	December 31, 2023	December 31, 2022
Credit facility	\$ 260,000	\$ 451,000
Unamortized financing costs	(296)	(653)
Credit facility, end of period	\$ 259,704	\$ 450,347

As of December 31, 2023, the Company has an aggregate credit limit of \$600.0 million on its credit facility. The facility is secured by a general security agreement over the Company's assets. The credit facility agreement has a maturity date of February 10, 2024.

The interest rates and fees of the Tenth Amending Credit Agreement are either at the prime rate of interest plus 1.00% per annum (December 31, 2022 – prime rate of interest plus 1.00% per annum) or bankers' acceptances with a stamping fee of 2.00% (December 31, 2022 – 2.00%) and standby fee of 0.40% per annum (December 31, 2022 – 0.40%) on the unutilized credit facility balance. As at December 31, 2023, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the Tenth Amending Credit Agreement is \$369.5 million.

Subsequent to year end, the credit facility was renewed on February 8, 2024, the Company entered into an amendment and restatement to its existing credit facility agreement ("Third Amended and Restated Credit Agreement") in order to, among other things, extend the maturity date to February 8, 2026, decrease the aggregate credit limit to \$510,000 and reinstate accordion feature to \$100,000. The interest rates of the Third Amended and Restated Credit Agreement are either at the prime rate of interest plus 1.25% per annum or term CORRA at 2.25% per annum. All other general terms of the credit facility remain unchanged.

During Q4 2023 and 2023, the Company incurred financing costs of \$462 and \$0.6 million (Q4 2022 – nil; 2022 – \$0.8 million). The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

Convertible debentures

As at December 31, 2023, and December 31, 2022, the Company's obligations under the convertible unsecured debentures are as follows:

Series	Ticker	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price per share	Equity Component	December 31, 2023	December 31, 2022
June 2017 Debentures	TF.DB.C	5.30 %	June 30, 2024	June 30 and December 31	\$ 11.10	\$ 560	\$ 45,000	\$ 45,000
July 2021 Debentures	TF.DB.D	5.25 %	July 31, 2028	January 31 and July 31	11.40	1,107	55,000	55,000
December 2021 Debentures	TF.DB.E	5.00 %	December 31, 2028	June 30 and December 31	11.40	1,405	46,000	46,000
Unsecured Debentures, principal							146,000	146,000
Unamortized financing cost and amount allocated to equity component							(5,155)	(6,580)
Debentures, end of period							\$ 140,845	\$ 139,420

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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:

	Year ended December 31,	
	2023	2022
Interest on the convertible debentures	\$ 7,572	\$ 7,562
Amortization of issue costs and accretion of the convertible debentures	1,426	1,460
Total	\$ 8,998	\$ 9,022

June 2017 Debentures

On June 13, 2017, the Company completed a public offering of \$40.0 million, plus an over-allotment option of \$5.0 million on June 27, 2017, of 5.30% convertible unsecured subordinated debentures for net proceeds of \$42.3 million (the "June 2017 Debentures").

The June 2017 Debentures are 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 Company may also elect to redeem debentures by issuing common shares at a 5% premium to prevailing market price at the date of redemption.

The issue costs of \$2.2 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

July 2021 Debentures

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

The July 2021 Debentures are redeemable on or after July 31, 2024 and prior to July 31, 2026 in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to prevailing market price at the date of redemption.

On and after July 31, 2026 and prior to the maturity date, the July 2021 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

The issue costs of \$2.9 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

December 2021 Debentures

On December 3, 2021 the Company completed a public offering of \$40.0 million plus an over-allotment option of \$6.0 million on December 10, 2021, of 5.00% convertible unsecured subordinated debentures for net proceeds of \$43.8 million (the "December 2021 Debentures"). The December 2021 Debentures are redeemable on or after December 31, 2024 and prior to December 31, 2026 in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price.

On and after December 31, 2026 and prior to the maturity date, the December 2021 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to prevailing market price at the date of redemption.

The issue costs of \$2.2 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

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 a 25-month period base shelf prospectus in all provinces and territories of Canada which allows the Company to offer and issue common shares, debt securities, subscription receipts, warrants, and units (collectively, the "Securities") from time to time up to an aggregate offering price of \$500.0 million. The base shelf prospectus expired on July 10, 2023.

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

	Year ended December 31,	
	2023	2022
Balance, beginning of year	83,887,516	82,219,602
Issuance of common shares	—	1,504,300
Common shares issued under dividend reinvestment plan	801,704	641,944
Common shares repurchased for dividend reinvestment plan	(801,704)	(360,830)
Common shares repurchased under normal course issuer bid	(878,000)	(117,500)
Balance, end of year	83,009,516	83,887,516

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

(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 ATM Program was active between June 2021 and August 2022 and expired on July 10, 2023.

During Q4 2023 and 2023, the Company did not issue any common shares under the ATM program.

During Q4 2022, the Company did not issue any common shares under the ATM program. During 2022, the Company issued 1,504,300 common shares for gross proceeds of \$14.3 million at an average price of \$9.52 per common share and paid \$246 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.

During Q4 2023 and 2023, the Company purchased from the open market 229,153 and 801,704 common shares (Q4 2022 – 192,271; 2022 – 360,830) for total amount of \$1.5 million and \$6.0 million (Q4 2022 – \$1.4 million; 2022 – \$2.8 million) at an average price of \$6.69 and \$7.43 (Q4 2022 – \$7.52; 2022 – \$7.89) per common share.

During Q4 2023 and 2023, the company did not issue common shares from treasury. During Q4 2022 and 2022, the Company issued from treasury nil and 281,114 common shares and retained nil and \$2.6 million in dividends at an average price of \$9.08 per common share.

(c) Dividends to holders of common shares

The Company intends to pay dividends to holders of common shares monthly within 15 days following the end of each month. During Q4 2023 and 2023, the Company declared dividends of \$14.3 million or \$0.1725 per share and \$57.6 million or \$0.69 per share (Q4 2022 – \$14.5 million or \$0.1725 per share and 2022 – \$57.7 million or \$0.69 per share).

As at December 31, 2023, \$4.7 million in aggregate dividends (December 31, 2022 – \$4.8 million) were payable to the holders of common shares by the Company. Subsequent to December 31, 2023, the Board of Directors of the Company declared dividends of \$0.0575 per share to be paid on January 15, 2024 to the common shareholders of record on December 31, 2023.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

(d) Normal course offering bid

On May 24, 2022, the Company announced that the TSX approved the Company's normal course issuer bid (the "NCIB") to repurchase for cancellation up to 8,330,591 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on May 26, 2022 and expired on May 25, 2023.

On May 24, 2023, the Company announced that the TSX approved the Company's renewal of the NCIB to repurchase for cancellation up to 8,305,467 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on May 26, 2023 and continue until May 25, 2024 upon expiry.

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

During Q4 2023 and 2023, the Company repurchased 332,600 and 878,000 common shares (Q4 2022 – 107,500 and 2022 – 117,500) for a total amount of \$2.2 million and \$6.2 million (Q4 2022 – \$0.8 million and 2022 – \$0.8 million). The average price per common share repurchased was \$6.53 and \$7.09 (Q4 2022 – \$7.16 and 2022 – \$7.20).

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

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

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

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

During Q4 2023 and 2023, 10,273 and 39,022 units were issued (Q4 2022 – 8,452 and 2022 – 36,704 units) and as at December 31, 2023, 138,059 units were outstanding (December 31, 2022 – 99,037 units). During Q4 2023 and 2023, no DSUs were exercised (Q4 2022 – nil and 2022 – 82,807 units).

DSU expense for Q4 2023 and 2023 was \$102 and \$397 (2022 – \$102 and \$377). The units related to Q4 Director's compensation will be issued subsequent to December 31, 2023.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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

Cash from operating activities for Q4 2023 and 2023 was \$25.0 million and \$90.2 million (Q4 2022 – \$30.1 million; 2022 – \$83.2 million).

Cash used in financing activities

The net cash used in financing activities for Q4 2023 was \$173.2 million and net cash used in 2023 was \$291.4 million (net cash used in Q4 2022 – \$89.4 million and net cash used in 2022 – \$42.5 million).

During the quarter, cash used in financing activities for Q4 2023 consisted of net repayments on the credit facility of \$145.1 million (Q4 2022 – \$64.0 million net repayments). The Company paid interest on the debentures and credit facility of \$11.6 million (Q4 2022 – \$9.9 million). The Company paid common share dividends of \$12.8 million (Q4 2022 – \$13.0 million). The company repurchased shares on the open market under the NCIB and DRIP programs of \$3.7 million (Q4 2022 – \$2.2 million).

During the year, cash used in financing activities in 2023 consisted of the Company's net repayments on the credit facility of \$191.0 million (2022 – \$31.0 million net draws). The Company paid interest on the debentures and credit facility of \$36.5 million (2022 – \$31.6 million). The company did not issue any common shares in 2023 (2022 – \$14.1 million) The Company paid common share dividends of \$51.7 million (2022 – \$52.2 million). The Company repurchased shares on the open market under the NCIB and DRIP programs of \$12.2 million (2022 – \$3.7 million).

Cash from (used in) investing activities

The net cash from investing activities was \$119.9 million for Q4 2023 and \$203.2 million in 2023 (net cash received in Q4 2022 – \$60.2 million; net cash used in 2022 – \$44.2 million).

During the quarter, net cash from investing activities for Q4 2023 consisted of the Company's funding of net mortgage investments of \$90.0 million (Q4 2022 – \$144.6 million). The Company received cash from discharge of net mortgage investments of \$212.9 million (Q4 2022 – \$206.2 million). The Company funded other investments of \$3.0 million (Q4 2022 – \$1.4 million). The Company received cash from repayments of other investments \$30 (Q4 2022 – \$202). The Company paid cash on maturity of currency forward hedging contracts of \$18 (Q4 2022 – paid cash of \$265).

During the year, net cash from investing activities for 2023 consisted of the Company's funding of net mortgage investments of \$360.6 million (2022 – \$746.6 million). The Company received cash from discharge of net mortgage investments of \$552.6 million (2022 – \$693.5 million). The Company funded other investments of \$3.8 million (2022 – \$9.5 million). The Company received cash proceeds from repayments of other investments of \$14.7 million (2022– \$10.8 million). The Company received cash of \$1.0 million relating to distribution from investment in participating debentures, measured at FVTPL (2022 – nil). The company received final distribution cash of \$63 from investment properties (2022 - \$7.5 million). The Company paid cash on maturity of currency forward hedging contracts of \$0.6 million (2022 – \$94).

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net Investment Income on financial assets measured at amortized cost	\$29,722	\$30,303	\$31,471	\$32,709	\$31,342	\$29,982	\$25,802	\$22,677
Fair value gain (loss) and other income on financial assets measured at FVTPL	463	231	306	282	736	403	352	(103)
Fair value gain / (loss) on real estate properties	—	—	—	63	82	—	(378)	—
Net rental income (loss)	327	(270)	(293)	(359)	(278)	(291)	36	382
Expenses	(5,443)	(4,115)	(5,139)	(4,443)	(6,671)	(7,530)	(4,150)	(4,241)
Income from operations	25,069	26,149	26,345	28,252	25,211	22,564	21,662	18,715
Financing costs:								
Financing cost on credit facilities	(7,846)	(7,444)	(7,208)	(7,898)	(8,137)	(6,788)	(4,749)	(3,560)
Financing cost on debentures	(2,249)	(2,250)	(2,249)	(2,250)	(2,260)	(2,256)	(2,233)	(2,273)
Net income and comprehensive income	14,974	\$16,455	\$16,888	\$18,104	\$14,814	\$13,520	\$14,680	\$12,882
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME								
Net income and comprehensive income	\$14,974	\$16,455	\$16,888	\$18,104	\$14,814	\$13,520	\$14,680	\$12,882
Add: net unrealized loss (gain) on financial assets measured at FVTPL	(292)	(61)	68	(57)	(122)	369	377	946
Add: net unrealized loss on real estate properties	—	—	—	—	—	—	95	—
Adjusted net income and comprehensive income¹	\$14,681	\$16,394	\$16,956	\$18,047	\$14,692	\$13,889	\$15,152	\$13,828
PER SHARE INFORMATION								
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Earnings per share (basic)	\$ 0.18	\$ 0.20	\$ 0.20	\$ 0.22	\$ 0.18	\$ 0.16	\$ 0.17	\$ 0.16
Earnings per share (diluted)	\$ 0.18	\$ 0.19	\$ 0.20	\$ 0.21	\$ 0.18	\$ 0.16	\$ 0.17	\$ 0.16
Adjusted earnings per share (basic) ¹	\$ 0.18	\$ 0.20	\$ 0.20	\$ 0.21	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.17
Adjusted earnings per share (diluted) ¹	\$ 0.18	\$ 0.19	\$ 0.20	\$ 0.21	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.17
Distributable income and adjusted distributable income per share ¹	\$ 0.21	\$ 0.20	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.20	\$ 0.19	\$ 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; and
- 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

RELATED PARTY TRANSACTIONS

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

- (a) As at December 31, 2023, Due to Manager consists of management and servicing fees payable of \$1.0 million (December 31, 2022 – \$1.1 million).
- (b) During Q4 2023 and 2023, Arrangement Fees of \$299 and \$0.8 million paid by borrower were retained by the Manager (Q4 2022 – \$202 and 2022 – \$0.8 million).
- (c) As at December 31, 2023, included in other assets is \$3.2 million (December 31, 2022 – \$6.1 million) of cash held in trust by TMSI, the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage and other loan funding holdbacks, repayments and prepaid mortgage interest received from various borrowers.
- (d) During 2023 the Company advanced \$3,000 to TMSI in exchange for 300,000 non-voting shares in order to fund TMSI's capital requirements necessary to service the Company's mortgage portfolio.
- (e) As at December 31, 2023, the Company has a first mortgage investment which a director of the Manager is also an officer and part-owner of an entity which holds a subordinate loan position.
 - A mortgage investment with a total gross commitment of \$48.8 million (December 31, 2022 – \$48.8 million). The Company's share of the commitment is \$4.4 million (December 31, 2022 – \$4.4 million). During Q4 2023 and 2023, the Company has recognized net interest income of \$199 and \$0.8 million (2022 – \$163 and \$0.5 million).
- (f) As at December 31, 2023, 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 other loan investments (December 31, 2022 – 2) totaling \$34.6 million (December 31, 2022 – \$35.5 million). The Company's share in these mortgage investments is \$10.3 million (December 31, 2022 – \$10.5 million).
- (g) As at December 31, 2023, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling \$4.4 million or €3.0 million (December 31, 2022 – \$4.7 million or €3.3 million), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.
- (h) As at December 31, 2023, the Company and Timbercreek North American Mortgage Fund are related parties as they are managed by the Manager, and they have co-invested in 1 mortgage (December 31, 2022 – 1) totaling \$22.8 million (December 31, 2022 – \$20.0 million). The Company's share in this mortgage investment is \$11.4 million (December 31, 2022 – \$10.0 million).

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgage investments and other investments. Where required, management records adequate provisions in the accounts. As of December 31, 2023 there are no provisions recognized.

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

On April 28, 2022, the Company disposed of its interest in the investment properties in Saskatchewan Portfolio. The investment properties were pledged as security for the credit facility where the Company remained a guarantor for its share of the outstanding principal until September 26, 2023. The Company is no longer a guarantor on the aforementioned credit facility as of December 31, 2023.

In one syndicated mortgage participation agreement, an option is provided to the third-party lender to sell their senior position of \$35.1 million back to the Company, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's consolidated financial statements, Timbercreek Capital Inc. (the "Manager"), has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties, other than the global market volatility, that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements.

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).

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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 Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

The information about the assumptions made in measuring fair value is included in the following notes:

Financial Statement Note 4 – Mortgage and other loan investments, including mortgage syndications; and
Financial Statement Note 18 – Fair value measurements.

Measurement of expected credit loss

The determination of the expected credit loss takes into account different factors and varies by nature of investment. These judgements include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the expected credit loss. The Company exercises significant credit judgement in the determination of a significant increase in credit risk since initial recognition, credit impairment of debt investments and expected recoverable amount of credit impaired debt investments. Refer to Financial Statement note 4(d).

Syndication liabilities

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

Classification of mortgage and other loan investments

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

Net realizable value of real estate inventory

Real estate inventory is measured at the lower of cost and net realizable value. In determining the net realizable value of land inventory, the Company estimates the selling prices of land parcels based on assumptions surrounding zoning and density approvals on those lands, prevailing market prices, and selling costs. The determination of net realizable value for the measurement of land inventory includes management estimates of the ultimate disposal values of various plots of land when in consideration with different sales strategies. Management applies judgement with respect to the potential scenarios for which the land can be disposed of including assumptions around zoning and permitting of said lands and has applied a probability to each scenario. In determining the net realizable value of real estate properties inventory, the Company estimates the selling prices based on the direct capitalization method using assumptions based on market comparables as well as probabilities surrounding assumptions on ultimate disposal of the asset. In determining the net realizable value of the properties, the Company also considers relevant selling costs in the ultimate disposal of the properties.

MATERIAL ACCOUNTING POLICIES

The material accounting policies are outlined in note 3 to the consolidated financial statements.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

OUTSTANDING SHARE DATA

As at February 26, 2024, the Company's authorized capital consists of an unlimited number of common shares, of which 83,009,516 are issued and outstanding.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

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

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

The CEO and the CFO have evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of DC&P and ICFR. As a result of this evaluation, Management has concluded that as of December 31, 2023, the design and operation of the Company's DC&P and ICFR were effective.

No changes were made in the design of ICFR during the period ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR

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

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

CAPITAL STRUCTURE AND LIQUIDITY

Capital structure

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

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

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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 an aggregate borrowing ability of \$510.0 million through its renewed credit facility and it intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at December 31, 2023, the Company's qualified credit facility limit is subject to a borrowing base as defined in the Tenth Amending Credit Agreement, which is \$369.5 million. Pursuant to the terms of the credit facility renewal, the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum adjusted shareholders' equity, maximum non-debenture indebtedness to adjusted shareholders' equity and maximum consolidated debt to total assets. As at September 30, 2023, the Company did not meet the minimum adjusted shareholder's equity covenant under its existing credit facility due to increased exposure in non-performing mortgages and on October 6, 2023 obtained a waiver of such default. There is a risk that further increases in exposure to non-performing mortgages could require repayment of advances under the credit facility as a result of reductions to the borrowing base or the minimum adjusted shareholders' equity covenant no longer being achieved. As at December 31, 2023, the Company is in compliance with its credit facility's covenants.

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

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at December 31, 2023, including expected interest payments:

	Carrying value	Contractual cash flow	Within a year	Following year	3 – 5 years	5 + Years
Accounts payable and accrued expenses	\$ 4,644	\$ 4,644	\$ 4,644	\$ —	\$ —	\$ —
Dividends payable	4,742	4,742	4,742	—	—	—
Due to Manager	1,005	1,005	1,005	—	—	—
Mortgage and other loans funding holdbacks	2,029	2,029	2,029	—	—	—
Prepaid mortgage and other loans interest	1,217	1,217	1,217	—	—	—
Credit facility ¹	259,704	262,168	262,168	—	—	—
Real estate inventory collateral liability	69,008	69,008	69,008	—	—	—
Convertible debentures ²	140,845	171,927	51,380	5,188	115,359	—
	\$ 483,194	\$ 516,740	\$ 396,193	\$ 5,188	\$ 115,359	\$ —
Unadvanced mortgage commitments ³	—	383,884	383,884	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities ⁴	\$ 483,194	\$ 900,624	\$ 780,077	\$ 5,188	\$ 115,359	\$ —

¹ Credit facility includes interest based upon December 2023 interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on February 10, 2024. Subsequent to year end, the Company has extended its credit facility agreement by two years maturing on February 8, 2026.

² The convertible debentures include interest based on coupon rate on the convertible debentures assuming the outstanding balance is not repaid until its contractual maturity on June 30, 2024, July 31, 2028 and December 31, 2028.

³ Unadvanced mortgage commitments include syndication commitments of which \$240.1 million belong to the Company's syndicated partners.

⁴ The principal repayments of \$600.0 million mortgage syndication liabilities by contractual maturity date is shown net with mortgage investments.

As at December 31, 2023, the Company had a cash position of \$4.8 million (December 31, 2022 – \$2.8 million) and an unutilized credit facility balance of \$109.5 million (December 31, 2022 – \$103.5 million). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities and the credit facility.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

FINANCIAL INSTRUMENTS

Financial assets

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

Financial liabilities

The Company's accounts payable and accrued expenses, dividends payable, due to Manager, mortgage and other loan funding holdbacks, prepaid mortgage interest, credit facility, real estate inventory collateral liability, convertible debentures, derivative liability (interest rate swap contract) and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. 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 December 31, 2023, \$921.9 million of net mortgage investments and \$5.0 million of other investments bear interest at variable rates (December 31, 2022 – \$1,173.7 million and \$5.0 million, respectively). As of December 31, 2023, \$855.6 million of net mortgage investments have a "floor rate" (December 31, 2022 – \$1,105.7 million).

If there were a decrease or increase of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments and other investments to net income and comprehensive income for the next 12 months would be a decrease in net income of \$3.3 million (December 31, 2022 – 0.50% and \$5.7 million) or an increase in net income of \$4.5 million (December 31, 2022 – 0.50% and \$5.9 million). The Company manages its sensitivity to interest rate fluctuations by managing the fixed/floating ratio and its use of floor rates in its investment portfolio.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

The Company is also exposed to interest rate risk on the credit facility. As at December 31, 2023, net exposure to interest rate risk was \$260.0 million (December 31, 2022 – \$451.0 million), and assuming it was outstanding for the entire period, a 0.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income and comprehensive income for the next 12 months by \$1.3 million (December 31, 2022 – \$2.3 million per 0.50% decrease or increase in interest rates).

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.

Currency risk

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

As at December 31, 2023, the Company has US\$7.5 million and €3.0 million in other investments denominated in foreign currencies (December 31, 2022 – US\$7.1 million and €3.3 million). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at December 31, 2023, the Company has one U.S. dollars currency contract with an aggregate notional value of US\$7.0 million, at a forward contract rate of 1.3222, that matured in January 2024. The Company also has one Euro currency contract with an aggregate notional value of €3.0 million at a contract rate of 1.4674, that matures in March 2024.

The fair value of the foreign currency forward contracts as at December 31, 2023 is an asset of \$21 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 December 31, 2023 relating to net mortgages and other investments amount to \$1,024.8 million (December 31, 2022 – \$1,276.7 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 I bank, to be minimal.

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

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

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

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.

SUBSEQUENT EVENTS

The following are events that occurred subsequent to December 31, 2023:

Credit Facility Renewal

On February 8, 2024, the Company entered into an amendment and restatement to its existing credit facility agreement ("Third Amended and Restated Credit Agreement") in order to, among other things, extend the maturity date to February 8, 2026, decrease the aggregate credit limit to \$510.0 million and reinstate accordion feature to \$100.0 million. The interest rates of the Third Amended and Restated Credit Agreement are either at the prime rate of interest plus 1.25% per annum or term CORRA at 2.25% per annum. All other general terms of the credit facility remain unchanged. As at December 31, 2023, the Company's qualified credit facility limit calculated using the terms of the Third Amended and Restated Credit Agreement is \$365.8 million.

Sale of Groupe Huot Assets

On December 7, 2023, the Company announced the official sale of the portfolio of seven multi-family, Stage 3 loans in Quebec. These loans, representing a balance of \$124.9 million, were fully repaid in January 2024 with Timbercreek recovering all principal and accrued interest. As a result the associated expected credit loss of \$1.6 million was fully reversed in Q4 2023.

Special Dividend

In light of the strong full-year income results, and in addition to paying 69 cents per share in dividends through the year, the Company has authorized a special dividend of 5.75 cents per share, for shareholders of record as at March 5, 2024. The special dividend will be paid on March 11, 2024. The dividend equates to \$4.8 million of additional payout to shareholders. The balance of undistributed income is reflected in the Company's book value per share (shareholders' equity divided by number of shares outstanding), ending at \$8.45 for the year (before payment of special dividend expected in March 2024) versus \$8.33 at the end of 2022.

ADDITIONAL INFORMATION

Dividend Reinvestment Plan

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

Phone

Blair Tamblyn, CEO
Tracy Johnston, CFO
Karynna Ma, Vice President, Investor Relations

416-923-9967

Internet

Visit SEDAR+ at www.sedarplus.ca; or the Company's website at www.timbercreekfinancial.com

Mail

Write to the Company at:
Timbercreek Financial
Attention: Corporate Communications
25 Price Street Toronto, Ontario M4W 1Z1