Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the three and six months ended June 30, 2024 and 2023

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 July 31, 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.

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 and six months ended June 30, 2024 and 2023. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2024 and 2023, and the audited 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+ at www.sedarplus.ca.

NON-IFRS MEASURES

The Company prepares and releases unaudited interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the “non-IFRS measures”).

The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of the Company’s ability to earn and distribute recurring cash flows and earnings for dividends and provide a clearer understanding of the Company’s financial performance.

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

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

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.

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 period 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 regular common share dividends paid and declared for payment, excluding any special dividends, divided by distributable income for the stated period.
iv. Payout ratio on earnings per share – represents total regular common share dividends paid and declared for payment, excluding any special dividends, divided by total net income and comprehensive income for the stated period.
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 regular common share dividends paid and declared for payment, excluding any special dividends, 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 regular common share dividends paid and declared for payment, excluding any special dividends, divided by adjusted net income and comprehensive income for the stated period.

RECENT DEVELOPMENTS AND OUTLOOK

As we reach the mid-point of 2024, we believe the reduction in inflation and the corresponding rate cut environment are key factors to support a recovery in real estate fundamentals. While valuations of assets purchased pre-covid and certain segments such as office will continue to be challenged, we believe transaction activity will rebound in the second half of this year and provide improved optionality for borrowers to either sell or refinance their assets.

The portfolio continued to perform as expected and generated improved results over Q1 2024. The focus remained on deploying capital returned in late Q4 2023 and Q1 2024 as well as asset management efforts centered on resolution of Staged 2 and 3 loans. The Company reported healthy financial results in Q2 2024, which were highlighted by net investment income of $26.4 million (Q2 2023 – $31.5 million), distributable income of $16.3 million (Q2 2023 – $17.8 million). Earnings per share and distributable income per share were $0.19 and $0.20 in Q2 2024 versus $0.20 and $0.21 in Q2 2023. The payout ratio on earnings per share was 93.2%, while the distributable income payout ratio continues to be low at 87.8%, reinforcing the Company's ability to generate consistent healthy cash flows and dividends, even during a period of volatility in the real estate markets. Net investment income of $26.4 million, was down versus $31.5 million in Q2 2023, and reflects a lower portfolio balance after two quarters of significant repayments (Q4 2023 turnover of 19.2% and 19.4% turnover in Q1 2024). The portfolio typically turns over on average 50% per year with Q2 2024 turnover of 11.6% representing a return to normal levels. As noted above, the positive macro backdrop created by the recent Bank of Canada rate cuts is further enhancing the deal flow pipeline, where we expect to see an increasing percentage of acquisition financing opportunities (and fewer refinancing bridge loan requests) as transaction activity in most asset classes grows. The Company will be well positioned to continue to deploy capital in this environment, which will result in the portfolio continuing to grow through the balance of the year.

For Q2 2024, the net mortgage investment portfolio of $1,003.4 million had a weighted-average interest rate of 9.8%. The Company advanced net new mortgages of $102.6 million, and $34.7 million on existing mortgages, offset by net mortgage portfolio repayments of $111.5 million. The Company successfully redeployed the capital and more, growing the portfolio by $25.8 million in Q2 2024. As discussed previously the Company continues to actively pursue resolution and recovery on its Stage 3 and Stage 2 loans through highly active asset management efforts. It is a bespoke process, where considerable time is spent developing plans and weighing options to ensure the best result for Timbercreek shareholders. The Company continues to make good progress on these assets, with one loan moving from Stage 3 back to Stage 1 this past quarter and the team remains confident in the underlying value of the mortgage portfolio.

On the capital front, the Company repaid its June 2017 debentures with the proceeds of a new issuance of debentures which closed in May 2024 for total gross proceeds of $46.0 million (and a coupon of 7.5%). Additionally, the Company completed the renewal of its At-The-Market ("ATM") and Normal Course Issuers Bid ("NCIB") to allow the Company to issue new shares or repurchase shares when accretive opportunities exist.

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

Stage 2 loans:

1. $20.1 million net mortgage investment secured by an income producing multi-family loan in Edmonton.
   Status: The borrower has listed the property for sale. The Company expects the loan to be discharged with sales proceeds before the end of the year. The loan remains current, and the Company continues to expect full repayment.

2. $55.2 million net mortgage investments secured by three offices towers and one retail property in Calgary.
   Status: The Company has forbearance agreements with the Borrower on these loans with a business plan focused on stabilizing asset income, noting positive leasing momentum this quarter. The loans are continuing to perform in accordance with the forbearance agreement, all three have collateral enhancement via equity pledges on proceeds from the sales of other assets owned by the borrower.

3. $114.0 million net mortgage investments secured by eight retail properties in downtown Vancouver.
   Status: The loans are current and, the borrower continues to work on plans to sell assets to increase their liquidity position that has been hampered by higher rates in the current environment. The assets are well-located Vancouver retail buildings that also hold residential redevelopment potential.

4. $41.4 million in net mortgage investment secured by three industrial development sites in the Greater Toronto Area.
   Status: The borrower and the general contractor are looking to end their relationship due to cost overruns on non-Timbercreek related assets. These issues have overflowed to affect the Company's loan as the borrower has ceased to make interest payments beginning June 1st. Timbercreek is engaged with the borrower who remains focused on both resolving the general contractor dispute and pursuing the sale of the asset. Resolution is likely in 2024.

5. $2.8 million net mortgage investment secured by a mixed-use redevelopment site in Victoria BC.
   Status: The Company moved this loan to stage 2 in Q2 2024 as a result of the borrower being in arrears on interest payments. The mixed-use development site property is currently approved for re-zoning and the borrower is actively seeking a purchaser or new joint venture partner. The Company is working with the borrower through this process and expects to have a forbearance agreement executed in Q3 2024 ahead of the loan being brought current or repaid through a sales process.

6. $11.8 million net mortgage investment secured by a proposed multi-residential development site in Toronto.
   Status: The Company moved this loan to stage 2 in Q2 2024 as a result of the borrower being in arrears on interest payments beginning in June. The Company has since executed a forbearance agreement with the borrower to allow an ongoing brokered sales process to reach conclusion, as it is deemed the most efficient path to repayment. The Company is confident in the value of the underlying collateral and hopes to see the asset under contract to sell by the end of Q3.

Stage 3 loans:

1. $15.2 million net mortgage investment secured by a multi-family loan in Montreal returned to stage 1 (performing) in Q2 2024.
   Status: The borrowers brought the loan current in Q2 2024 and as a result the loan is now performing. The construction of the seniors building is nearing completion with partial floors ready for occupancy and substantial completion expected in early fall 2024. CMHC takeout financing is expected before the end of the year. The Company has reversed the previously recorded expected credit loss provision of $371 and continues to expect full repayment on the loan.

2. $12.3 million net mortgage investment secured by condo inventory exposure in Edmonton.
   Status: The Company received net proceeds of $2.8 million from the sale of 5 units during Q2 2024. The Company is actively working to sell the remaining units. Net exposure remaining is $8.2 million net of $4.1 million provision in reserves. Sales activity has increased with 6 out of 20 remaining condo inventory units expected to close in Q3 2024, that will generate approximately $4.0 million in proceeds decreasing net exposure to $4.2 million by end of Q3. The original condo inventory loan balance was $23.7 million.

3. $9.3 million net mortgage investment on a medical office building in Ottawa.
   Status: The Company along with the property manager continue to progress on the repositioning plan of the asset. At the same time, the Company is exploring development entitlement with excess density and could potentially target a sales process later in 2024.

PORTFOLIO ACTIVITY

The net mortgage investment portfolio has increased by $25.8 million, from $977.5 million at the end of Q1 2024, to $1,003.4 million at the end of Q2 2024 (Q2 2023 – $1,123.7 million). The Company advanced $137.4 million in net mortgage investments, partially offset by net mortgage portfolio repayments of $111.5 million.

On net mortgage investment advances, the Company advanced 13 new net mortgage investments (Q2 2023 – 9) totaling $102.6 million (Q2 2023 – $64.7 million) and made additional advances on existing net mortgage investments of $34.7 million (Q2 2023 – $43.3 million). The new advances comprised mainly of multi-residential and industrial real estate assets. The weighted average interest rate on new net mortgage investments' advances was 9.3%, remaining consistent with 9.2% in Q1 2024 (Q2 2023 – 9.0%). Originations in the quarter were largely centered around low LTV multi-family assets. The Company continues to see a good volume of opportunities in its core categories and believes it can achieve the appropriate risk/return while providing safety in additional diversification.

On net mortgage investment repayments, 11 net mortgage investments (Q2 2023 – 12) were fully repaid. The Company received total mortgage portfolio repayments of $111.5 million (Q2 2023 – $133.4 million), including borrower repayments of $111.5 million (Q2 2023 – $128.1 million). The weighted average interest rate on fully repaid net mortgage investments was 10.3%, on par with 10.3% in Q1 2024 (Q2 2023 – 10.7%). The turnover ratio was 11.6% for Q2 2024, compared to 19.4% in Q1 2024 and 11.6% in Q2 2023.

The quarterly weighted average interest rate on net mortgage investments was 9.8% in Q2 2024, compared to 9.9% in Q1 2024 (Q2 2023 – 9.8%). Interest rate exposure in the net mortgage investment portfolio was well protected at the end of Q2 2024 as floating rate loans with rate floors represented 78.3% of the portfolio (Q2 2023 – 88.3%). Of the remaining portfolio, 8.3% (Q2 2023 – 6.1%) is allocated to floating rate loans without floors and 13.4% (Q2 2023 – 5.6%) is allocated to fixed rate loans.

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

- 62.3% weighted average loan-to-value;
- 85.6% first mortgages in mortgage investment portfolio; and
- 83.4% of mortgage investment portfolio is invested in cash-flowing properties

The Company’s mortgage portfolio remains heavily weighted toward Canada’s largest provinces, with approximately 96.7% of the capital invested in Ontario, British Columbia, Quebec and Alberta, and focused on urban markets that generally experience better real estate liquidity. As noted in Q1, there were significant repayments in Quebec, replaced with new fundings in Ontario. The Company is comfortable with its current Ontario and Quebec diversification and continues to look for new opportunities to deploy capital in Quebec.

FINANCIAL HIGHLIGHTS

For the three and six months ended **June 30, 2024 (“**Q2 2024 and YTD 2024**”) and June 30, 2023 (“**Q2 2023 and YTD 2023**”)**

During Q2 2024 and YTD 2024, the Company reported net investment income of $26.4 million and $51.0 million compared to $31.5 million and $64.2 million during Q2 2023 and YTD 2023, a decrease of $5.1 million and $13.2 million, respectively, predominantly due to a lower average balance in net mortgage investments ($960.3 million and $911.8 million during Q2 2024 and YTD 2024 compared to $1,146.0 million and $1,163.5 million during Q2 2023 and YTD 2023). The weighted average interest rate of 9.8% and 9.8% remained relatively flat (Q2 2023 - 9.8%; YTD 2023 - 9.7%).

During Q2 2024 and YTD 2024, net income and comprehensive income was $15.4 million and $29.7 million (Q2 2023 – $16.9 million; YTD 2023 - $35.0 million) or basic earnings per share of $0.19 and $0.36 (Q2 2023 – $0.20; YTD 2023 - $0.42), representing a payout ratio on earnings per share of 93.2% and 96.3% (Q2 2023 – 85.5%; YTD 2023 - 82.5%) for the quarter and year to date, respectively.

During Q2 2024 and YTD 2024, distributable income was $16.3 million and $32.1 million (Q2 2023 – $17.8 million; YTD 2023 - $36.1 million) or distributable income per share of $0.20 and $0.39 (Q2 2023 – $0.21 per share; YTD 2023 - $0.43 per share) representing a distributable income payout ratio of 87.8% and 89.2% (Q2 2023 – 81.1%; YTD 2023 - 80.1%) for the quarter and year to date, respectively.

Credit Facility

As of June 30, 2024, the Company has an aggregate credit limit of $510.0 million under its credit facility and an accordion feature of $100.0 million. The facility is secured by a general security agreement over the Company's assets and its subsidiaries. The credit facility agreement has a maturity date of February 8, 2026.

As at June 30, 2024, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the existing credit agreement is $432.2 million.

Convertible Debentures

On May 28, 2024, the Company successfully completed a $46.0 million bought deal offering of convertible debentures, with the over-allotment option fully exercised by underwriters for net proceeds of $43.5 million. These debentures, accrue interest at 7.50% per annum and mature in June 30, 2029, are listed under (TSX: TF.DB.F) on the Toronto Stock Exchange.

On June 21, 2024, the June 2017 Debentures were redeemed at par, plus accrued and unpaid interest. The aggregate principal amount of the June 2017 Debentures outstanding was $45.0 million on redemption date. The Company drew $40.0 million from its credit facility and used cash on hand to fund the redemption and associated interest.

Shareholder Capital

The Company announced on March 12, 2024, that it has re-established the at-the-market equity program (the "ATM Program") that allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to $90.0 million. The program expires in April 2026.

The Company announced on June 10, 2024, that it renewed its normal course issuer bid ("NCIB") program to repurchase for cancellation up to 8,216,051 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on June 12, 2024, and continue until June 11, 2025 upon expiry.

Dividends

During Q2 2024 and YTD 2024, the Company distributed a total of $14.3 million and $28.6 million or $0.17 and $0.35 per share, in regular dividends to shareholders compared to $14.4 million and $28.9 million or $0.1725 and $0.3450 per share during Q2 2023 and YTD 2023, resulting in a DI payout ratio of 87.8% and 89.2%, compared to 81.1% and 80.1% for Q2 2023 and YTD 2023. On March 5, 2024, the Company declared a one-time special dividend of $0.0575 per share for a total of $4.8 million to the shareholders on record. The special dividend was paid on March 11, 2024. No special dividends were declared or paid in Q2 2023 and YTD 2023.

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

KEY FINANCIAL POSITION INFORMATION	June 30, 2024	June 30, 2023	December 31, 2023
Net mortgage investments[1]	**$ 1,003,420**	$ 1,123,728	$ 946,222
Enhanced return portfolio[1]	**$ 62,002**	$ 58,696	$ 62,658
Real estate held for sale, net of collateral liability	**$ 62,200**	$ —	$ 61,979
Real estate land inventory	**$ 30,561**	$ 30,291	$ 30,577
CAPITAL STRUCTURE			
Total assets	**$ 1,708,728**	$ 1,788,431	$ 1,785,957
Total liabilities	**$ 1,009,915**	$ 1,087,030	$ 1,084,818
Shareholders' equity	**$ 698,813**	$ 701,401	$ 701,139
Book value per share	**$ 8.42**	$ 8.41	$ 8.45
Convertible debentures, par	**$ 147,000**	$ 146,000	$ 146,000
Credit facility	**$ 305,597**	$ 360,672	$ 259,704
Total debentures and credit facility utilized	**$ 452,597**	$ 506,672	$ 405,704
Maximum credit limit available	**$ 579,168**	$ 573,300	$ 515,537
Credit utilization rate	**78.1 %**	88.4 %	78.7 %
COMMON SHARE INFORMATION			
Number of common shares outstanding	**83,009,516**	83,450,416	83,009,516
Closing trading price	**$ 7.16**	$ 7.45	$ 6.67
Market capitalization	**$ 594,348**	$ 621,706	$ 553,673

1. Refer to non-IFRS measures section.

OPERATING RESULTS[1]

NET INCOME AND COMPREHENSIVE INCOME	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
Net investment income on financial assets measured at amortized cost	**$ 26,441**	$ 31,471	**$ 51,031**	$ 64,180	$ 124,205
Fair value gain and other income on financial assets measured at FVTPL	**235**	306	**572**	588	1,282
Net rental income (loss)	**389**	(293)	**863**	(652)	(595)
Fair value gain on real estate properties	**—**	—	**—**	63	63
Expenses	**(3,599)**	(5,139)	**(8,097)**	(9,582)	(19,140)
Income from operations	**$ 23,466**	$ 26,345	**$ 44,369**	$ 54,597	$ 105,815
Financing costs:					
Financing cost on credit facility	**(5,571)**	(7,208)	**(9,856)**	(15,106)	(30,396)
Financing cost on convertible debentures	**(2,535)**	(2,249)	**(4,785)**	(4,499)	(8,998)
Net income and comprehensive income	**$ 15,360**	$ 16,888	**$ 29,728**	$ 34,992	$ 66,421
Payout ratio on earnings per share	**93.2 %**	85.5 %	**96.3 %**	82.5 %	86.7 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME					
Net income and comprehensive income	**15,360**	16,888	**29,728**	34,992	66,421
Add: Net unrealized gain (loss) on financial assets measured at FVTPL	**357**	68	**191**	11	(342)
Adjusted net income and comprehensive income[1]	**$ 15,717**	$ 16,956	**$ 29,919**	$ 35,003	$ 66,078
Payout ratio on adjusted earnings per share[1]	**91.1 %**	85.1 %	**95.7 %**	82.5 %	87.2 %
DISTRIBUTABLE INCOME					
Adjusted net income and comprehensive income[1]	**$ 15,717**	$ 16,956	**$ 29,919**	$ 35,003	$ 66,078
Less: Amortization of lender fees	**(1,678)**	(2,181)	**(3,083)**	(4,646)	(8,279)
Add: Lender fees received and receivable	**1,828**	1,672	**3,007**	3,381	6,597
Add: Amortization of financing costs, credit facility	**200**	172	**616**	425	953
Add: Amortization of financing costs, convertible debentures	**285**	242	**528**	486	972
Add: Accretion expense, convertible debentures	**136**	114	**249**	227	454
Add: Unrealized fair value (gain) loss on DSU	**(88)**	(48)	**65**	27	(67)
Add: Expected credit (recovery) loss	**(97)**	875	**815**	1,175	3,649
Distributable income[1]	**$ 16,303**	$ 17,802	**$ 32,116**	$ 36,078	$ 70,357
Payout ratio on distributable income and adjusted distributable income[1,2]	**87.8 %**	81.1 %	**89.2 %**	80.1 %	81.9 %
PER SHARE INFORMATION					
Dividends declared to shareholders	**$ 14,319**	$ 14,434	**$ 28,638**	$ 28,885	$ 57,603
Weighted average common shares (in thousands)	**83,010**	83,737	**83,010**	83,760	83,509
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.35**	$ 0.35	$ 0.69
Earnings per share (basic)	**$ 0.19**	$ 0.20	**$ 0.36**	$ 0.42	$ 0.80
Earnings per share (diluted)	**$ 0.18**	$ 0.20	**$ 0.36**	$ 0.41	$ 0.78
Adjusted earnings per share (basic)[1]	**$ 0.19**	$ 0.20	**$ 0.36**	$ 0.42	$ 0.79
Adjusted earnings per share (diluted)[1]	**$ 0.19**	$ 0.20	**$ 0.36**	$ 0.41	$ 0.78
Distributable income per share[1]	**$ 0.20**	$ 0.21	**$ 0.39**	$ 0.43	$ 0.84

1. Refer to non-IFRS measures section.
2. There are no adjustments for the periods presented.

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 Q2 2024 and YTD 2024, the Company earned net investment income on financial assets measured at amortized cost of $26.4 million and $51.0 million (Q2 2023 – $31.5 million; YTD 2023 – $64.2 million). Net investment income includes the following:

a. Interest income

During Q2 2024 and YTD 2024, the Company earned interest income on net mortgage investments measured at amortized cost of $23.4 million and $45.3 million (Q2 2023 – $27.9 million; YTD 2023 – $56.5 million).

The decrease in interest income is result of lower average mortgage portfolio size from $1,146.0 million and $1,163.5 million in Q2 2023 and YTD 2023 compared to $960.3 million and $911.8 million in Q2 2024 and YTD 2024. Weighted average interest rate on the portfolio remains relatively stable at 9.8% and 9.8% during Q2 2024 and YTD 2024 (Q2 2023 - 9.8%; YTD 2023 – 9.7%). During Q2 2024, the prime interest rate has decreased on June 6, 2024 by 25 basis points from 7.2% to 6.95%.

During Q2 2024 and YTD 2024, the Company earned $1.2 million and $2.4 million (Q2 2023 – $1.2 million; YTD 2023 – $2.6 million) of interest income on other loan investments in other investments in the enhanced return portfolio. The decrease in YTD interest income is due to a lower average size in other loan investments of $47.0 million in Q2 2024, compared to $51.2 million in Q2 2023.

b. Lender fee income

During Q2 2024 and YTD 2024, the Company recognized income from amortization of lender fees on net mortgage investments measured at amortized cost of $1.7 million and $3.1 million (Q2 2023 – $2.0 million; YTD 2023 – $4.4 million), a decline in quarterly and annual income largely explained by lower balance of net mortgage investments.

During Q2 2024 and YTD 2024, the Company recognized income from amortization of lender fees on other loan investments in other investments in the enhanced return portfolio of $2 and $28 (Q2 2023 – $166; YTD 2023 - $274) as the lender fees on other loan investments were fully amortized.

c. Other income

During Q2 2024 and YTD 2024, the Company recognized other income of $147 and $244 (Q2 2023 – $135; YTD 2023 – $321), attributable to bank interest income and miscellaneous income.

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

During Q2 2024 and YTD 2024, the Company earned interest income on net mortgage investments measured at FVTPL of $169 and $340 (Q2 2023 – $164; YTD 2023 – $325). 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 (Q2 2023 and YTD 2023 – no fair value adjustments).

During Q2 2024 and YTD 2024, the Company received total cash distribution from investment in participating debentures, measured at FVTPL of $2.3 million and $2.3 million (Q2 2023 – $0.9 million; YTD 2023 – $1.0 million), out of which $1.9 million and $1.9 million were a return of capital on the investment (Q2 2023 – $0.7 million; YTD 2023 – $0.7 million), $398 and $398 were a distribution of income (Q2 2023 – $210; YTD 2023 – $274).

During Q2 2024 and YTD 2024, the Company recognized an unrealized fair value loss of $357 and $191(Q2 2023 – fair value loss of $68; YTD 2023 – fair value loss of $11) on investment in participating debentures, measured at FVTPL.

Net rental income (loss) from real estate

Net rental income from land inventory and real estate properties held for sale was $389 and $0.9 million during Q2 2024 and YTD 2024, respectively (Q2 2023 – loss of $293; YTD 2023 – loss of $0.7 million).

Land inventory operations incurred a net rental loss of $375 in Q2 2024 and $0.5 million in YTD 2024 (Q2 2023 – loss of $293; YTD 2023 – loss of $0.7 million).

Real estate properties held for sale, which was acquired in August 2023, generated net rental income of $0.8 million in Q2 2024 and $1.4 million in YTD 2024 (Q2 2023 – nil; YTD 2023 – nil).

Gain/Loss on real estate properties

Real estate land inventory is recorded at the lower of cost and net realizable value. During Q2 2024 and YTD 2024, the Company has not recorded any impairments. The Company received $63 from working capital release during YTD 2023. This related to the sale of investment properties which were measured at fair value.

Expenses

Expenses for Q2 2024 and YTD 2024 were $3.6 million and $8.1 million (Q2 2023 – $5.1 million; YTD 2023 – $9.6 million).

a. Management fees, Servicing fees 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.

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.

During Q2 2024 and YTD 2024, the Company incurred management fees of $2.6 million and $5.0 million (Q2 2023 – $2.9 million; YTD 2023 – $6.2 million). The decrease in fees is mainly attributed to lower average gross assets of $1,128.5 million and $1,079.7 million in Q2 2024 and YTD 2024 compared to $1,241.3 million and $1,268.3 million in Q2 2023 and YTD 2023. For Q2 2024 and YTD 2024, the Company incurred $144 and $303 (Q2 2023 – $185 and YTD 2023 – $377) in servicing fees. For Q2 2024 and YTD 2024, Arrangement Fees of $71 paid by borrowers were retained by the Manager (Q2 2023 – nil and YTD 2023 – $169).

b. Expected Credit Loss ("ECL")

Expected credit loss for net mortgage investments during Q2 2024 was recovery of $97 and YTD 2024 loss of $0.8 million (Q2 2023 – loss of $0.9 million; YTD 2023 – loss of $1.2 million), reflective of the net changes in Stage 2 and Stage 3 loans discussed in detail in Recent Developments. The cumulative allowance for expected credit loss is $13.1 million, representing approximately 1.3% of the $1,003.4 million net mortgage investment portfolio.

c. General and administrative

During Q2 2024 and YTD 2024, the Company incurred general and administrative expenses of $0.9 million and $2.0 million, respectively (Q2 2023 – $1.2 million; YTD 2023 – $1.9 million).

- During Q2 2024 and YTD 2024, included in general and administrative expenses are $0.6 million and $1.3 million (Q2 2023 - $0.7 million; YTD 2023 – $1.3 million) of recurring expenses and consist mainly of legal fees, audit fees, directors' fees, shareholder reporting fees, consulting fees, filing fees and other operating expenses.

- During Q2 2024 and YTD 2024, the Company incurred $31 and $223 in non-reimbursable legal costs associated with credit impaired loans in Quebec (Q2 2023 – $524; YTD 2023 – $0.5 million). The Company does not expect further cost in this category as it has resolved substantially all credit impaired loans in Quebec during Q1 and Q2 2024.

- During Q2 2024 and YTD 2024, the Company expensed $250 in legal fees, filing fees, listing fees, and other professional fees in association with the Company's base shelf prospectus renewal (Q2 2023 and YTD 2023 – nil).

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

Income from Operations

Income from operations totaled $23.5 million and $44.4 million in Q2 2024 and YTD 2024 as compared to $26.3 million and $54.6 million in Q2 2023 and YTD 2023, respectively, quarter over quarter decrease of $2.8 million and year over year decrease of $10.2 million, largely driven by lower net investment income discussed above.

Financing Costs

Financing cost on credit facility

Interest expense on the credit facility is recorded using the effective interest rate method. For Q2 2024 and YTD 2024, included in financing costs is interest expense on the credit facility of $5.4 million and $9.2 million (Q2 2023 – $7.0 million, YTD 2023 - $14.7 million), respectively. Interest expense on credit facility was $1.7 million lower quarter over quarter and $5.4 million lower year over year mainly due to lower credit utilization. Q2 2024 saw an average credit utilization of $272.5 million, as compared to Q2 2023 average utilization of $390.6 million. YTD 2024 saw an average credit utilization of $227.8 million, as compared to YTD 2023 average utilization of $417.1 million.

For Q2 2024 and YTD 2024 financing costs amortization of $200 and $0.6 million (Q2 2023 – $172, YTD 2023 – $425) were included in financing costs.

Financing cost on convertible debentures

The Company has $46.0 million of 7.50% convertible unsecured debentures, $46.0 million of 5.00% convertible unsecured subordinated debentures, $55.0 million of 5.25% convertible unsecured subordinated debentures outstanding as at June 30, 2024. The Company issued $46.0 million of 7.50% convertible unsecured debentures in May 2024 and repaid $45.0 million of 5.30% convertible unsecured subordinated debentures in June 2024

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 June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Interest on the convertible debentures	**$ 2,116**	$ 1,893	**$ 4,009**	$ 3,786
Amortization of financing costs and accretion expense	**419**	**356**	**776**	713
Total	**$ 2,535**	$ 2,249	**$ 4,785**	$ 4,499

Net income and comprehensive income

During Q2 2024 and YTD 2024, the Company earned net income and comprehensive income of $15.4 million and $29.7 million (Q2 2023 – $16.9 million; YTD 2023 – $35.0 million) or basic earnings per share of $0.19 and $0.36 (Q2 2023 – $0.20; YTD 2023 – $0.42), representing a payout ratio of 93.2% and 96.3% (Q2 2023 – 85.5%; YTD 2023 – 82.5%) on earnings per share.

Adjusted net income and comprehensive income

During Q2 2024 and YTD 2024, the Company earned adjusted net income and comprehensive income of $15.7 million and $29.9 million (Q2 2023 – $17.0 million; YTD 2023 –$35.0 million), basic and diluted adjusted earnings per share of $0.19 and $0.36 (Q2 2023 – $0.20 basic and diluted adjusted earnings per share; YTD 2023 – $0.42 basic and $0.41 diluted adjusted earnings per share), representing a payout ratio of 91.1% and 95.7% (Q2 2023 – 85.1%; YTD 2023 – 82.5%).

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

Distributable income

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

During Q2 2024 and YTD 2024, the Company generated distributable income of $16.3 million and $32.1 million (Q2 2023 – $17.8 million; YTD 2023 – $36.1 million) or distributable income per share of $0.20 and $0.39 (Q2 2023 – $0.21 per share; YTD 2023 – $0.43) representing a payout ratio of 87.8% and 89.2% (Q2 2023 – 81.1%; YTD 2023 – 80.1%) for the quarter.

Cash Lender Fees

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

During Q2 2024 and YTD 2024, the Company recorded cash lender fees in net mortgage investments of $1.9 million and $3.0 million on new loans funded (Q2 2023 – $1.4 million; YTD 2023 – $3.1 million). During Q2 2024 and YTD 2024, the Company did not originate new loans and did not record cash lender fees pertaining to other loan investments (Q2 2023 – $300; YTD 2023 – $300).

During Q2 2024 and YTD 2024, the weighted average lender fee was 1.0% and 1.0% on new loans funded, respectively (Q2 2023 – 1.2%; YTD 2023 – 1.3%). During Q2 2024 and YTD 2024, the weighted average lender fees was 0.9% and 0.8% on both new and renewed mortgages, respectively (Q2 2023 – 1.1%; YTD 2023 – 1.1%).

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

Earnings per share

	Three months ended June 30,		Six months ended June 30,	
PER SHARE INFORMATION	**2024**	**2023**	**2024**	**2023**
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.35**	$ 0.35
Earnings per share (basic)	**$ 0.19**	$ 0.20	**$ 0.36**	$ 0.42
Earnings per share (diluted)	**$ 0.18**	$ 0.20	**$ 0.36**	$ 0.41
Adjusted earnings per share (basic)[1]	**$ 0.19**	$ 0.20	**$ 0.36**	$ 0.42
Adjusted earnings per share (diluted)[1]	**$ 0.19**	$ 0.20	**$ 0.36**	$ 0.41
Distributable income per share[1]	**$ 0.20**	$ 0.21	**$ 0.39**	$ 0.43

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.

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		June 30, 2024		December 31, 2023
Mortgage investments, excluding mortgage syndications	$	**996,025**	$	943,488
Mortgage syndications		**480,277**		601,624
Mortgage investments, including mortgage syndications		**1,476,302**		1,545,112
Mortgage syndication liabilities		**(480,277)**		(601,624)
		996,025		943,488
Interest receivable		**(11,106)**		(14,585)
Unamortized lender fees		**5,408**		5,226
Expected credit loss		**13,093**		12,093
Net mortgage investments	$	**1,003,420**	$	946,222

Net mortgage investments statistics and ratios[1]	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
Total number of mortgage investments	**94**	104	**94**	104	94
Average mortgage investment[2]	**$ 15,707**	$ 16,248	**$ 15,707**	$ 16,248	$ 16,390
Average net mortgage investment portfolio	**$ 960,347**	$ 1,145,963	**$ 911,835**	$ 1,163,457	$ 1,110,926
Weighted average interest rate for the period	**9.8 %**	9.8 %	**9.8 %**	9.7 %	9.9 %
Weighted average lender fees for the period	**0.9 %**	1.1 %	**0.8 %**	1.1 %	1.0 %
Turnover ratio	**11.6 %**	11.6 %	**30.6 %**	20.0 %	44.9 %
Average remaining term to maturity (years)	**1.0**	0.8	**1.0**	0.8	0.7
Average term at origination (years)	**3.3**	2.9	**3.3**	2.9	3.0
Net mortgage investments secured by cash-flowing properties	**83.4 %**	87.7 %	**83.4 %**	87.7 %	86.0 %
WALTV	**62.3 %**	68.3 %	**62.3 %**	68.3 %	65.6 %

1. Refer to non-IFRS measures section.
2. At period-end, inclusive of mortgage syndications.

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

	June 30, 2024			December 31, 2023		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Interest in first mortgages	83	$	859,386	82	$	841,264
Interest in second and third mortgages[1]	11		144,034	12		104,958
	94	$	1,003,420	94	$	946,222

[1]Included in the Company's interest in second and third mortgages as at June 30, 2024 was $3.0 million of the net mortgage investments in which the Company holds a subordinated position (December 31, 2023 – $14.1 million). The Company's syndicated partners who hold a senior position as at June 30, 2024 was $13.9 million (December 31, 2023 – $16.4 million).

b. Region

	June 30, 2024			December 31, 2023		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Quebec	19	$	161,948	25	$	278,226
Ontario	39		456,304	32		306,163
British Columbia	17		237,408	17		217,125
Alberta	10		114,174	10		107,190
Other Provinces	9		33,586	10		37,518
	94	$	1,003,420	94	$	946,222

c. Maturity

	June 30, 2024			December 31, 2023		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
2024	34	$	287,648	62	$	679,801
2025	27		406,217	22		198,624
2026	29		257,549	9		67,672
2027	4		52,006	1		125
	94	$	1,003,420	94	$	946,222

d. Asset Type / WALTV at origination

	June 30, 2024				December 31, 2023			
	Number		Net Mortgage Investments	WALTV at origination	Number		Net Mortgage Investments	WALTV at origination
Multi-Residential[1]	59	$	514,066	60.7%	62	$	534,209	69.2%
Retail	8		159,136	68.3%	9		149,127	70.3%
Unimproved Land[2]	2		26,065	31.8%	2		28,755	36.7%
Improved Land[3]	5		59,401	50.9%	3		28,816	55.4%
Office	5		85,565	58.9%	6		75,028	58.8%
Retirement	1		15,773	71.3%	1		14,299	71.3%
Industrial	10		103,233	53.2%	7		61,090	51.9%
Single-Residential	3		34,681	56.6%	3		49,398	55.4%
	93		997,920	59.7%	93		940,722	65.3%
Net mortgage investments measured at FVTPL	1		5,500	n/a	1		5,500	n/a
	94	$	1,003,420		94	$	946,222	

[1] Includes 7 construction loans (December 31, 2023 – 6) totaling $48.1 million (December 31, 2023 – $40.3 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.

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. The Company has mortgage syndication liabilities of $480.3 million (December 31, 2023 – $601.6 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 $13.2 million as at June 30, 2024 (December 31, 2023 – $12.4 million), of which $13.1 million (December 31, 2023 – $12.1 million) was recorded against mortgage investments and $152 (December 31, 2023 – $337) was recorded against other investments.

	As at June 30, 2024				As at December 31, 2023			
Multi-residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**$ 849,586**	**$ 63,148**	**$ —**	**$ 912,734**	$ 943,841	$ 58,235	$ 51,293	$1,053,369
Mortgage syndication liabilities[1]	**332,455**	**40,273**	**—**	**372,728**	417,639	40,280	38,862	496,781
Net mortgage investments	**517,131**	**22,875**	**—**	**540,006**	526,202	17,955	12,431	556,588
Expected credit losses[2]	**1,055**	**394**	**—**	**1,449**	780	280	395	1,455
	516,076	**22,481**	**—**	**538,557**	525,422	17,675	12,036	555,133
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**352,437**	**201,572**	**24,147**	**578,156**	425,157	15,357	65,641	506,155
Mortgage syndication liabilities[1]	**109,192**	**—**	**—**	**109,192**	107,493	—	—	107,493
Net mortgage investments	**243,245**	**201,572**	**24,147**	**468,964**	317,664	15,357	65,641	398,662
Expected credit losses[2]	**296**	**1,844**	**9,504**	**11,644**	560	732	9,346	10,638
	242,949	**199,728**	**14,643**	**457,320**	317,104	14,625	56,295	388,024
Other loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**27,824**	**20,750**	**—**	**48,574**	47,399	—	—	47,399
Mortgage syndication liabilities[1]	**—**	**—**	**—**	**—**	—	—	—	—
Net mortgage investments	**27,824**	**20,750**	**—**	**48,574**	47,399	—	—	47,399
Expected credit losses[2]	**147**	**5**	**—**	**152**	337	—	—	337
	$ 27,677	**$ 20,745**	**$ —**	**$ 48,422**	$ 47,062	$ —	$ —	$ 47,062

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

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:

	Six Months Ended June 30, 2024				Six Months Ended June 30, 2023			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 780**	**$ 280**	**$ 395**	**$ 1,455**	$ 1,424	$ —	$ 1,409	$ 2,833
Expected credit losses:								
Remeasurement	**(86)**	**109**	**—**	**23**	20	66	1,752	1,838
Transfer to/(from)								
Stage 1	**390**	**—**	**—**	**390**	(898)	—	—	(898)
Stage 2	**—**	**5**	**—**	**5**	—	41	—	41
Stage 3	**—**	**—**	**(395)**	**(395)**	—	—	857	857
Total expected credit losses	**1,084**	**394**	**—**	**1,478**	546	107	4,018	4,671
Fundings	**149**	**—**	**—**	**149**	35	—	—	35
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(178)**	**—**	**—**	**(178)**	(80)	—	—	(80)
Balance at end of period	**$ 1,055**	**$ 394**	**$ —**	**$ 1,449**	$ 501	$ 107	$ 4,018	$ 4,626

Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 560**	**$ 732**	**$ 9,346**	**$ 10,638**	$ 414	$ —	$ 7,358	$ 7,772
Expected credit losses:								
Remeasurement	**168**	**355**	**505**	**1,028**	38	—	(392)	(354)
Transfer to/(from)								
Stage 1	**(410)**	**—**	**—**	**(410)**	—	—	—	—
Stage 2	**—**	**757**	**—**	**757**	—	—	—	—
Stage 3	**—**	**—**	**(347)**	**(347)**	—	—	—	—
Total expected credit losses	**318**	**1,844**	**9,504**	**11,666**	452	—	6,966	7,418
Fundings	**30**	**—**	**—**	**30**	20	—	—	20
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(52)**	**—**	**—**	**(52)**	(35)	—	—	(35)
Balance at end of period	**$ 296**	**$ 1,844**	**$ 9,504**	**$ 11,644**	$ 437	$ —	$ 6,966	$ 7,403

Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 337**	**$ —**	**$ —**	**$ 337**	$ 745	$ —	$ —	$ 745
Expected credit losses:								
Remeasurement	**(185)**	**—**	**—**	**(185)**	(204)	—	—	(204)
Transfer to/(from)								
Stage 1	**(5)**	**—**	**—**	**(5)**	—	—	—	—
Stage 2	**—**	**5**	**—**	**5**	—	—	—	—
Stage 3	**—**	**—**	**—**	**—**	—	—	—	—
Total expected credit losses	**147**	**5**	**—**	**152**	541	—	—	541
Fundings	**—**	**—**	**—**	**—**	—	—	—	—
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**—**	**—**	**—**	**—**	(44)	—	—	(44)
Balance at end of period	**$ 147**	**$ 5**	**$ —**	**$ 152**	$ 497	$ —	$ —	$ 497

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

Stage 2 loans:

1. $20.1 million net mortgage investment secured by an income producing multi-family loan in Edmonton.
Status: The borrower has listed the property for sale. The Company expects the loan to be discharged with sales proceeds before the end of the year. The loan remains current, and the Company continues to expect full repayment.

2. $55.2 million net mortgage investments secured by three offices towers and one retail property in Calgary.
Status: The Company has forbearance agreements with the Borrower on these loans with a business plan focused on stabilizing asset income, noting positive leasing momentum this quarter. The loans are continuing to perform in accordance with the forbearance agreement, all three have collateral enhancement via equity pledges on proceeds from the sales of other assets owned by the borrower.

3. $114.0 million net mortgage investments secured by eight retail properties in downtown Vancouver.
Status: The loans are current and, the borrower continues to work on plans to sell assets to increase their liquidity position that has been hampered by higher rates in the current environment. The assets are well-located Vancouver retail buildings that also hold residential redevelopment potential.

4. $41.4 million in net mortgage investment secured by three industrial development sites in the Greater Toronto Area.
Status: The borrower and the general contractor are looking to end their relationship due to cost overruns on non-Timbercreek related assets. These issues have overflowed to affect the Company's loan as the borrower has ceased to make interest payments beginning June 1st. Timbercreek is engaged with the borrower who remains focused on both resolving the general contractor dispute and pursuing the sale of the asset. Resolution is likely in 2024.

5. $2.8 million net mortgage investment secured by a mixed-use redevelopment site in Victoria BC.
Status: The Company moved this loan to stage 2 in Q2 2024 as a result of the borrower being in arrears on interest payments. The mixed-use development site property is currently approved for re-zoning and the borrower is actively seeking a purchaser or new joint venture partner. The Company is working with the borrower through this process and expects to have a forbearance agreement executed in Q3 2024 ahead of the loan being brought current or repaid through a sales process.

6. $11.8 million net mortgage investment secured by a proposed multi-residential development site in Toronto.
Status: The Company moved this loan to stage 2 in Q2 2024 as a result of the borrower being in arrears on interest payments beginning in June. The Company has since executed a forbearance agreement with the borrower to allow an ongoing brokered sales process to reach conclusion, as it is deemed the most efficient path to repayment. The Company is confident in the value of the underlying collateral and hopes to see the asset under contract to sell by the end of Q3.

Stage 3 loans:

1. $15.2 million net mortgage investment secured by a multi-family loan in Montreal returned to stage 1 (performing) in Q2 2024.
Status: The borrowers brought the loan current in Q2 2024 and as a result the loan is now performing. The construction of the seniors building is nearing completion with partial floors ready for occupancy and substantial completion expected in early fall 2024. CMHC takeout financing is expected before the end of the year. The Company has reversed the previously recorded expected credit loss provision of $371 and continues to expect full repayment on the loan.

2. $12.3 million net mortgage investment secured by condo inventory exposure in Edmonton.
   Status: The Company received net proceeds of $2.8 million from the sale of 5 units during Q2 2024. The Company is actively working to sell the remaining units. Net exposure remaining is $8.2 million net of $4.1 million provision in reserves. Sales activity has increased with 6 out of 20 remaining condo inventory units expected to close in Q3 2024, that will generate approximately $4.0 million in proceeds decreasing net exposure to $4.2 million by end of Q3. The original condo inventory loan balance was $23.7 million.

3. $9.3 million net mortgage investment on a medical office building in Ottawa.
   Status: The Company along with the property manager continue to progress on the repositioning plan of the asset. At the same time, the Company is exploring development entitlement with excess density and could potentially target a sales process later in 2024.

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.

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

	As at June 30, 2024				As at December 31, 2023			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	**$ 310,268**	**$ —**	**$ —**	**$ 310,268**	$ 184,985	$ —	$ —	$ 184,985
Medium-Low risk	**101,910**	**—**	**—**	**101,910**	248,215	—	—	248,215
Medium-High risk	**73,589**	**22,875**	**—**	**96,464**	93,002	17,955	—	110,957
High risk	**31,364**	**—**	**—**	**31,364**	—	—	—	—
Default	**—**	**—**	**—**	**—**	—	—	12,431	12,431
Net	**517,131**	**22,875**	**—**	**540,006**	526,202	17,955	12,431	556,588
Expected credit losses	**1,055**	**394**	**—**	**1,449**	780	280	395	1,455
Mortgage investments[1]	**516,076**	**22,481**	**—**	**538,557**	525,422	17,675	12,036	555,133
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	**81,560**	**—**	**—**	**81,560**	39,213	—	—	39,213
Medium-Low risk	**118,451**	**—**	**—**	**118,451**	178,835	—	—	178,835
Medium-High risk	**43,127**	**110,364**	**—**	**153,491**	99,616	15,357	—	114,973
High risk	**107**	**91,208**	**—**	**91,315**	—	—	—	—
Default	**—**	**—**	**24,147**	**24,147**	—	—	65,641	65,641
Net	**243,245**	**201,572**	**24,147**	**468,964**	317,664	15,357	65,641	398,662
Expected credit losses	**296**	**1,844**	**9,504**	**11,644**	560	732	9,346	10,638
Mortgage investments[1]	**242,949**	**199,728**	**14,643**	**457,320**	317,104	14,625	56,295	388,024
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	**—**	**—**	**—**	**—**	—	—	—	—
Medium-Low risk	**—**	**—**	**—**	**—**	—	—	—	—
Medium-High risk	**—**	**—**	**—**	**—**	—	—	—	—
High risk	**27,824**	**20,750**	**—**	**48,574**	47,399	—	—	47,399
Default	**—**	**—**	**—**	**—**	—	—	—	—
Net	**27,824**	**20,750**	**—**	**48,574**	47,399	—	—	47,399
Expected credit losses	**147**	**5**	**—**	**152**	337	—	—	337
Other loan Investments[1]	**$ 27,677**	**$ 20,745**	**$ —**	**$ 48,422**	$ 47,062	$ —	$ —	$ 47,062

[1] Net of mortgage syndications.

Enhanced return portfolio

As at	June 30, 2024	December 31, 2023
Other loan investments, net of expected credit loss	**$ 48,422**	$ 47,033
Finance lease receivable, measured at amortized cost	**6,020**	6,020
Investment in participating debentures, measured at FVTPL	**2,335**	4,380
Investment in equity instrument, measured at FVTPL	**3,000**	3,000
Joint venture investment in indirect real estate development	**2,225**	2,225
Total Enhanced Return Portfolio	**$ 62,002**	$ 62,658

As at June 30, 2024, the Company held $48.4 million in other loan investments, net of expected credit loss (December 31, 2023 – $47.0 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 in September 2038 and the option to purchase the property earlier based on a prescribed purchase price schedule. Refer to note 4(e) of the Interim Condensed Consolidated Financial Statements for the three months and six months ended June 30, 2024, and 2023.

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

As at June 30, 2024, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling $2.3 million or €1.6 million (December 31, 2023 – $4.4 million or €3.0 million).

As at June 30, 2024, the Company is invested in equity instrument of Timbercreek Mortgage Servicing Inc. ("TMSI") totaling $3.0 million (December 31, 2023 – $3.0 million).

As at June 30, 2024, the Company held $2.2 million (December 31, 2023 – $2.2 million) in indirect real estate developments through joint venture and associate, using the equity method.

Real estate

Land inventory

As at June 30, 2024, the Company has land inventory of $30.6 million (December 31, 2023 – $30.6 million), which is recorded at the lower of cost and net realizable value.

Real estate held for sale

During the period ended June 30, 2024, management determined that certain amounts previously classified as real estate properties inventory should have been classified as real estate held for sale. As a result, the consolidated statement of financial position as at December 31, 2023 was adjusted, with no change to total assets, total liabilities or shareholders' equity. The adjustment had no impact on the consolidated statement of net income and comprehensive income, consolidated statement of changes in shareholders' equity or consolidated statement of cash flow.

As at June 30, 2024, the Company has real estate properties classified as held for sale of $131.0 million (December 31, 2023 – $131.0 million), which are measured at the lower of carrying amount and fair value less costs to sell.

Real estate held for sale was originally acquired via credit bid of a senior retirement housing loan filed for CCAA in August 2023, the Company holds a 50% ownership interest together with its syndicated partners. The Company's real estate held for sale collateral liability belongs to its syndicated partners is $68.8 million as at June 30, 2024 (December 31, 2023 – $69.0 million), The Company's ownership interest in real estate held for sale, net of collateral liability, is $62.2 million (December 31, 2023 – $62.0 million).

As at	June 30, 2024	December 31, 2023*
Real estate held for sale	**130,987**	130,987
Real estate held for sale collateral liability	**(68,787)**	(69,008)
Real estate held for sale, net of collateral liability	**$ 62,200**	$ 61,979

* Adjusted

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

Credit facility

As at		June 30, 2024		December 31, 2023
Credit facility	$	**306,894**	$	260,000
Unamortized financing costs		**(1,297)**		(296)
Credit facility, end of period	$	**305,597**	$	259,704

As of June 30, 2024, the Company has an aggregate credit limit of $510.0 million under its credit facility and an accordion feature of $100.0 million. The facility is secured by a general security agreement over the Company's assets and its subsidiaries. The credit facility agreement has a maturity date of February 8, 2026.

The interest rates and fees on the existing credit agreement are either at the prime rate of interest plus 1.25% per annum (December 31, 2023 – prime rate of interest plus 1.00% per annum) or at Adjusted Term CORRA plus 2.25% per year (December 31, 2023 – bankers' acceptances plus 2.00%) and standby fee of 0.45% per annum (December 31, 2023 – 0.40%) on the unutilized credit facility balance. As at June 30, 2024, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the existing credit agreement is $432.2 million.

During Q2 2024 and YTD 2024, the Company capitalized financing costs of $24 and $1.6 million (Q2 2023 – nil, YTD 2023 - $36). The deferred financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

Convertible debentures

As at June 30, 2024, and December 31, 2023, the Company's obligations under the convertible unsecured debentures are as follows:

Series	Ticker Symbol	Interest Rate	Date of Maturity	Interest Payment Date		Conversion Price per share		Equity Component		June 30, 2024		December 31, 2023
June 2017 Debentures	TF.DB.C	5.30 %	June 30, 2024	June 30 and December 31	$	11.10	$	560	$	—	$	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
June 2024 Debentures	TF.DB.F	7.50 %	June 30, 2029	June 30 and December 31		8.50		1,357		**46,000**		—
Unsecured Debentures, principal										**147,000**		146,000
Unamortized financing cost and amount allocated to equity component										**(8,284)**		(5,155)
Debentures, end of period									$	**138,716**	$	140,845

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 $42.7 million (the "June 2017 Debentures"). 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.

On June 21, 2024, the June 2017 Debentures were redeemed at par, plus accrued and unpaid interest. The aggregate principal amount of the June 2017 Debentures outstanding was $45.0 million on redemption date. The Company drew $40.0 million from its credit facility and used cash on hand to fund the redemption and associated interest.

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.

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

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

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

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

June 2024 Debentures

On May 28, 2024, the Company successfully completed a $46.0 million bought deal offering of convertible debentures, with the $6.0 million over-allotment option fully exercised by underwriters for net proceeds of $43.5 million (the “June 2024 Debentures”). These debentures, accrue interest at 7.50% per annum and mature in June 30, 2029, are listed under (TSX: TF.DB.F) on the Toronto Stock Exchange.

On or after June 30, 2027 and prior to the maturity date, the June 2024 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice.

The issue costs of $2.5 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

SHAREHOLDERS' EQUITY

Common shares

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

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

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

The changes in the number of common shares were as follows:	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Balance, beginning of period	83,009,516	83,775,016	**83,009,516**	83,887,516
Common shares issued under dividend reinvestment plan	208,704	190,762	**406,259**	372,472
Common shares repurchased for dividend reinvestment plan	(208,704)	(190,762)	**(406,259)**	(372,472)
Common shares repurchased under normal course issuer bid	—	(324,600)	**—**	(437,100)
Balance, end of period	**83,009,516**	83,450,416	**83,009,516**	83,450,416

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

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

During Q2 2024 and YTD 2024, the Company did not issue any common shares under the ATM program (Q2 2023 and YTD 2023 – nil).

(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 Q2 2024 and YTD 2024, the Company purchased from the open market 208,704 and 406,259 common shares (Q2 2023 – 190,762 and YTD 2023 – 372,472) for a total amount of $1.5 million and $3.0 million (Q2 2023 – $1.5 million and YTD 2023 – $2.9 million). During Q2 2024 and YTD 2024, common shares were purchased from the open market at an average price of $7.34 and $7.32 per common share (Q2 2023 – $7.82 and YTD 2023 – $7.90).

During Q2 2024 and YTD 2024, the Company did not issue common shares from treasury (Q2 2023 and YTD 2023 - nil).

(c) Dividends to holders of common shares

The Company intends to pay dividends to holders of common shares monthly within 15 days following the end of each month. During Q2 2024 and YTD 2024, the Company declared regular dividends of $14.3 million or $0.1725 per share and $28.6 million or $0.3450 per share (Q2 2023 – $14.4 million or $0.1725 per share and YTD 2023 – $28.9 million or $0.3450 per share).

On March 5, 2024, the Company declared a one-time special dividend of $0.0575 per share for a total of $4.8 million to the shareholders on record. The special dividend was paid on March 11, 2024.

As at June 30, 2024, $4.7 million in aggregate dividends (December 31, 2023 – $4.7 million) were payable to the holders of common shares by the Company. Subsequent to June 30, 2024, the Board of Directors of the Company declared dividends of $0.0575 per share to be paid on July 15, 2024 to the common shareholders of record on June 28, 2024.

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

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

On May 24, 2023, the Company announced that the TSX approved 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 continued until May 25, 2024 upon expiry.

The Company may repurchase for cancellation under the NCIB by means of open market transactions or otherwise as permitted by the TSX. All repurchases for cancellation 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 Q2 2024 and YTD 2024, the Company did not repurchase any common shares (Q2 2023 – 324,600; YTD 2023 - 437,100 for a total amount of $2.4 million and $3.2 million, respectively). The average price per common share repurchased in Q2 2023 and YTD 2023 was $7.40 and $7.43, respectively.

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 24^{th} business day after publication of the Company’s financial statements following a director’s departure from the Board of Directors.

During Q2 2024 and YTD 2024, 10,503 and 22,214 units were issued (Q2 2023 and YTD 2023 – 10,287 and 20,099 units) and as at June 30, 2024, 160,273 units were outstanding (December 31, 2023 – 138,059 units). During Q2 2024 and YTD 2024, no DSUs were exercised (Q2 2023 and YTD 2023 – nil).

DSU expense for Q2 2024 and YTD 2024 was $106 and $209 (Q2 2023 and YTD 2023 – $99 and $195). The units related to Q2 Director's compensation will be issued subsequent to June 30, 2024.

STATEMENT OF CASH FLOWS

Cash from operating activities

Cash from operating activities for Q2 2024 and YTD 2024 was $20.8 million and $35.8 million (Q2 2023 – $22.9 million; YTD 2023 – $47.8 million).

Cash from (used in) financing activities

The net cash used in financing activities for Q2 2024 was $10.3 million and net cash used in financing activities for YTD 2024 was $576 (net cash used in Q2 2023 – $52.1 million and YTD 2023 – $140.4 million).

During Q2 2024 and YTD 2024, cash used in financing activities consisted of net draws on the credit facility of $11.9 million and $46.9 million (Q2 2023 – $26.1 million net repayments; YTD 2023 – $90.1 million net repayments). The Company paid interest on the debentures and credit facility of $6.3 million and $12.5 million in Q2 2024 and YTD 2024, respectively (Q2 2023 – $9.6 million; YTD 2023 – $18.5 million). The Company paid common share dividends of $12.8 million and $30.4 million in Q2 2024 and YTD 2024 (Q2 2023 – $13.0 million, YTD 2023 – $26.0 million). The Company repurchased shares on the open market under DRIP programs of $1.5 million and $3.0 million in Q2 2024 and YTD 2024 (Q2 2023 – $3.5 million, YTD 2023 – $5.8 million).

During Q2 2024 and YTD 2024, the Company received $43.5 million in net proceeds from issuance of convertible debenture, and repaid $45.0 million on redemption of convertible debenture (Q2 2023 and YTD 2023 – nil).

Cash from (used in) investing activities

The net cash used in investing activities for Q2 2024 was $15.6 million and net cash used for YTD 2024 was $39.2 million (net cash received in Q2 2023 – $28.0 million and YTD 2023 – $89.9 million).

During Q2 2024 and YTD 2024, net cash used in investing activities consisted of the Company's funding of net mortgage investments of $140.4 million and $334.9 million (Q2 2023 – $116.0 million; YTD 2023 – $188.9 million). The Company received cash from discharge of net mortgage investments of $122.6 million and $293.8 million (Q2 2023 – $143.0 million; YTD 2023 – $264.5 million). The Company did not fund other investments in 2024 (Q2 2023 – nil; YTD 2023 – funded $0.8 million). The Company received cash from repayments of other investments $31 and $62 (Q2 2023 – $29; YTD 2023 – $14.6 million). The Company paid cash on maturity of currency forward hedging contracts of $133 and $407 (Q2 2023 – received cash of $45; YTD 2023 – paid cash of $0.6 million).

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	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Net Investment Income on financial assets measured at amortized cost	**$26,441**	$24,590	$29,722	$30,303	$31,471	$32,709	$31,342	$29,982
Fair value gain and other income on financial assets measured at FVTPL	**235**	337	463	231	306	282	736	403
Fair value gain on real estate properties	**—**	—	—	—	—	63	82	—
Net rental income (loss)	**389**	474	327	(270)	(293)	(359)	(278)	(291)
Expenses	**(3,599)**	(4,498)	(5,443)	(4,115)	(5,139)	(4,443)	(6,671)	(7,530)
Income from operations	**23,466**	20,903	25,069	26,149	26,345	28,252	25,211	22,564
Financing costs:								
Financing cost on credit facility	**(5,571)**	(4,285)	(7,846)	(7,444)	(7,208)	(7,898)	(8,137)	(6,788)
Financing cost on debentures	**(2,535)**	(2,250)	(2,249)	(2,250)	(2,249)	(2,250)	(2,260)	(2,256)
Net income and comprehensive income	**15,360**	$14,368	$14,974	$16,455	$16,888	$18,104	$14,814	$13,520
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME								
Net income and comprehensive income	**$15,360**	$14,368	$14,974	$16,455	$16,888	$18,104	$14,814	$13,520
Add: net unrealized loss (gain) on financial assets measured at FVTPL	**357**	(166)	(292)	(61)	68	(57)	(122)	369
Adjusted net income and comprehensive income[1]	**$15,717**	$14,202	$14,681,	$16,394	$16,956	$18,047	$14,692	$13,889
PER SHARE INFORMATION								
Dividends per share	**$ 0.17**	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17
Earnings per share (basic)	**$ 0.19**	$ 0.17	$ 0.18	$ 0.20	$ 0.20	$ 0.22	$ 0.18	$ 0.16
Earnings per share (diluted)	**$ 0.18**	$ 0.17	$ 0.18	$ 0.19	$ 0.20	$ 0.21	$ 0.18	$ 0.16
Adjusted earnings per share (basic)[1]	**$ 0.19**	$ 0.17	$ 0.18	$ 0.20	$ 0.20	$ 0.21	$ 0.17	$ 0.17
Adjusted earnings per share (diluted)[1]	**$ 0.19**	$ 0.17	$ 0.18	$ 0.19	$ 0.20	$ 0.21	$ 0.17	$ 0.17
Distributable income per share[1]	**$ 0.20**	$ 0.19	$ 0.21	$ 0.20	$ 0.21	$ 0.22	$ 0.22	$ 0.20

[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.

RELATED PARTY TRANSACTIONS

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

(a) As at June 30, 2024, Due to Manager consists of management and servicing fees payable of $0.9 million (December 31, 2023 – $1.0 million).

(b) During Q2 2024 and YTD 2024, Arrangement Fees of $71 and $71 paid by borrower were retained by the Manager (Q2 2023 - nil and YTD 2023 – $169).

(c) As at June 30, 2024, included in other assets is $3.2 million (December 31, 2023 – $3.2 million) of cash held in trust by Timbercreek Mortgage Servicing Inc. ("TMSI"), the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage and other loan funding holdbacks, repayments and prepaid mortgage interest received from various borrowers.

(d) As at June 30, 2024, the Company is invested in non-voting shares of TMSI totaling $3.0 million (December 31, 2023 – $3.0 million), which is classified as investment in equity instrument within other investments.

(e) As at June 30, 2024, the Company has two first mortgage investments which a director of the Manager is also an officer and part-owner of an entity which holds an interest against the same security as the Company. The first instance is a subordinated loan position and the second is a non-voting equity position with the borrower. Both of these positions are third party, independent of the Company's loans.

- A first mortgage investment with a total gross commitment of $48.8 million (December 31, 2023 – $48.8 million). The Company's share of the commitment is $8.8 million (December 31, 2023 – $4.4 million). During Q2 2024 and YTD 2024, the Company has recognized net interest income of $369 and $0.6 million (Q2 2023 – $195 and YTD 2023 – $379).

- A first mortgage investment with a total gross commitment of $10.0 million (December 31, 2023 – $10.0 million). The Company's share of the commitment is $3.0 million (December 31, 2023 – $3.0 million). During Q2 2024 and YTD 2024, the Company has recognized net interest income of $100 and $200 (Q2 2023 – $96 and YTD 2023 – $192).

(f) As at June 30, 2024, 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, 2023 – 2) totaling $35.9 million (December 31, 2023 – $34.6 million). The Company's share in these mortgage investments is $10.6 million (December 31, 2023 – $10.3 million).

(g) As at June 30, 2024, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling $2.3 million or €1.6 million (December 31, 2023 – $4.4 million or €3.0 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 June 30, 2024, the Company and Timbercreek North American Mortgage Fund are related parties as they are managed by the Manager, and they have co-invested in 2 mortgages (December 31, 2023 – 1) totaling $43.7 million (December 31, 2023 – $22.8 million). The Company's share in these mortgage investments is $21.8 million (December 31, 2023 – $11.4 million).

COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgage investments and other investments. Where required, management records adequate provisions in the accounts. As of June 30, 2024, there are no provisions recognized.

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

CRITICAL ACCOUNTING ESTIMATES

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

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

Measurement of fair values

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

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

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

The Company reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Company will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS 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 land inventory

Real estate land inventory is measured at the lower of cost and net realizable value. In determining the net realizable value of 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.

Real estate held for sale

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

MATERIAL ACCOUNTING POLICIES

The accounting policies applied by the Company in the unaudited condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2023, which were prepared in accordance with IFRS.

OUTSTANDING SHARE DATA

As at July 31, 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.

No changes were made in the design of ICFR during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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

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

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

CAPITAL STRUCTURE AND LIQUIDITY

Capital structure

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

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

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 facility. The Company has an aggregate borrowing ability of $510.0 million through its renewed credit facility and it intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at June 30, 2024, the Company's qualified credit facility limit is subject to a borrowing base as defined in the First Amending Agreement to Credit Agreement, which is $432.2 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 June 30, 2024, 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 June 30, 2024, including expected interest payments:

	Carrying value	Contractual cash flow	Within a year	Following year	3 – 5 years	5 + Years
Accounts payable and accrued expenses	$ 7,670	$ 7,670	$ 7,670	$ —	$ —	$ —
Dividends payable	4,742	4,742	4,742	—	—	—
Due to Manager	918	918	918	—	—	—
Mortgage and other loans funding holdbacks	1,187	1,187	1,187	—	—	—
Prepaid mortgage and other loans interest	2,021	2,021	2,021	—	—	—
Credit facility[1]	305,597	342,201	22,396	319,805	—	—
Real estate held for sale collateral liability	68,787	68,787	68,787	—	—	—
Convertible debentures[2]	138,716	186,392	8,638	8,638	169,116	—
	$ 529,638	$ 613,918	$ 116,359	$ 328,443	$ 169,116	$ —
Unadvanced mortgage commitments, excluding mortgage syndication liabilities	—	156,639	156,639	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities[3]	$ 529,638	$ 770,557	$ 272,998	$ 328,443	$ 169,116	$ —

1 Credit facility includes interest based upon June 2024 interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on February 8, 2026.
2 The convertible debentures include interest based on coupon rate on the convertible debentures assuming the outstanding balance is not repaid until its contractual maturity on July 31, 2028, December 31, 2028 and June 30, 2029.
3 The mortgage syndication liabilities of $480.3 million and its portion of unadvanced mortgage commitment of $210.8 million are excluded.

As at June 30, 2024, the Company had a cash position of $0.7 million (December 31, 2023 – $4.8 million) and an unutilized credit facility balance of $125.3 million (December 31, 2023 – $109.5 million). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities including proceeds from mortgage repayments and syndications, and the credit facility.

FINANCIAL INSTRUMENTS

Financial assets

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

Financial liabilities

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

RISKS AND UNCERTAINTIES

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of June 30, 2024, $906.1 million of net mortgage investments and $5.0 million of other investments bear interest at variable rates (December 31, 2023 – $921.9 million and $5.0 million, respectively). As of June 30, 2024, $818.4 million of net mortgage investments have a "floor rate" (December 31, 2023 – $855.6 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 $2.2 million (December 31, 2023 – 0.50% and $3.3 million) or an increase in net income of $4.6 million (December 31, 2023 – 0.50% and $4.5 million). The Company manages its sensitivity to interest rate fluctuations by managing the fixed/floating ratio and its use of floor rates in its investment portfolio.

The Company is also exposed to interest rate risk on the credit facility. As at June 30, 2024, net exposure to interest rate risk was $306.9 million (December 31, 2023 – $260.0 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 $1.5 million (December 31, 2023 – $1.3 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 June 30, 2024, the Company has US$7.7 million and €1.6 million in other investments denominated in foreign currencies (December 31, 2023 – US$7.5 million and €3.0 million). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at June 30, 2024, 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 1.3664, that matured in July 2024. The Company also has one Euro currency contract with an aggregate notional value of €1.5 million at a contract rate of 1.4800, that matured in July 2024.

The fair value of the foreign currency forward contracts as at June 30, 2024 is an asset of $8 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 June 30, 2024 relating to net mortgages and other investments amounts to $1,069.1 million (December 31, 2023 – $1,024.8 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.

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.

ADDITIONAL INFORMATION

Dividend Reinvestment Plan

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

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