Interim Condensed Consolidated Financial Statements of

TIMBERCREEK FINANCIAL

Three months and nine months ended September 30, 2023 and 2022

TIMBERCREEK FINANCIAL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(In thousands of Canadian dollars)

	Note	September 30, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents		**$ 33,151**	$ 2,832
Other assets	14(c)	**4,825**	9,511
Real estate inventory	5	**161,475**	30,245
Mortgage investments, including mortgage syndications	4	**1,647,770**	1,800,506
Other investments	4(e)	**59,283**	72,945
Total assets		**$ 1,906,504**	$ 1,916,039
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses		**5,482**	4,450
Dividends payable	8(c)	**4,762**	4,824
Due to Manager	14(a)	**1,061**	1,098
Mortgage and other loans funding holdbacks		**695**	1,345
Prepaid mortgage and other loans interest		**1,069**	4,721
Credit facility	6	**404,871**	450,347
Mortgage syndication liabilities	4(a)(c)	**576,373**	611,291
Real estate inventory collateral liability	5	**69,025**	—
Convertible debentures	7	**140,489**	139,420
Total liabilities		**1,203,827**	1,217,496
Shareholders' equity	8	**702,677**	698,543
Total liabilities and equity		**$ 1,906,504**	$ 1,916,039
Commitments and contingencies	4, 6 and 19		
Subsequent events	6 and 8(c)		

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME (Unaudited)

(In thousands of Canadian dollars, except per share amounts)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Investment income on financial assets measured at amortized cost					
Gross interest and other income, including mortgage syndications		**$ 43,034**	$ 40,667	**$ 132,156**	$ 102,730
Interest and other expenses on mortgage syndications		**(12,731)**	(10,685)	**(37,673)**	(24,269)
Net investment income on financial assets measured at amortized cost	4(b)(e)	**30,303**	29,982	**94,483**	78,461
Fair value gain and other income on financial assets measured at FVTPL	4(a)(e)	**231**	403	**819**	652
Total income on financial assets		**30,534**	30,385	**95,302**	79,113
Income on real estate properties					
Revenue from real estate properties		**1,385**	86	**1,553**	1,291
Property operating costs		**(1,425)**	(377)	**(2,245)**	(1,164)
Expense on real estate inventory collateral liability		**(230)**	—	**(230)**	—
Net rental (loss) income		**(270)**	(291)	**(922)**	127
Fair value gain (loss) on real estate properties		**—**	—	**63**	(378)
Total loss on real estate properties		**(270)**	(291)	**(859)**	(251)
Expenses					
Management fees	10	**2,842**	3,021	**9,021**	9,184
Servicing fees	10	**181**	208	**558**	554
Allowance for credit loss	4(d)	**692**	3,732	**1,867**	4,682
General and administrative		**400**	569	**2,251**	1,501
Total expenses		**4,115**	7,530	**13,697**	15,921
Income from operations		**26,149**	22,564	**80,746**	62,941
Financing costs					
Financing cost on credit facilities	6	**7,444**	6,788	**22,550**	15,097
Financing cost on convertible debentures	7	**2,250**	2,256	**6,749**	6,762
Total financing costs		**9,694**	9,044	**29,299**	21,859
Net income and comprehensive income		**$ 16,455**	$ 13,520	**$ 51,447**	$ 41,082
Earnings per share					
Basic	11	**$ 0.20**	$ 0.16	**$ 0.62**	$ 0.49
Diluted	11	**$ 0.19**	$ 0.16	**$ 0.60**	$ 0.49

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(In thousands of Canadian dollars)

Nine months ended September 30, 2023	Common shares	Deficiency	Equity component of convertible debentures	Total
Balance, December 31, 2022	$ 739,162	$ (45,069)	$ 4,450	$ 698,543
Repurchase of common shares under normal course issuer bid	(4,050)	—	—	(4,050)
Dividends declared to shareholders	—	(43,263)	—	(43,263)
Issuance of common shares under dividend reinvestment plan	4,427	—	—	4,427
Repurchase of common shares for dividend reinvestment plan	(4,427)	—	—	(4,427)
Total net income and comprehensive income	—	51,447	—	51,447
Balance, September 30, 2023	$ 735,112	$ (36,885)	$ 4,450	$ 702,677

Nine months ended September 30, 2022	Common shares	Deficiency	Equity component of convertible debentures	Total
Balance, December 31, 2021	$ 723,377	$ (43,244)	$ 4,450	$ 684,583
Issuance of common shares, net of issue costs	14,077	—	—	14,077
Repurchase of common shares under normal course issuer bid	(76)	—	—	(76)
Dividends declared to shareholders	—	(43,241)	—	(43,241)
Issuance of common shares under dividend reinvestment plan	3,955	—	—	3,955
Repurchase of common shares for dividend reinvestment plan	(1,402)	—	—	(1,402)
Total net income and comprehensive income	—	41,082	—	41,082
Balance, September 30, 2022	$ 739,931	$ (45,403)	$ 4,450	$ 698,978

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (Unaudited)

(In thousands of Canadian dollars)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
OPERATING ACTIVITIES					
Net income		**$ 16,455**	$ 13,520	**$ 51,447**	$ 41,082
Amortization of lender fees		**(1,747)**	(2,333)	**(6,393)**	(6,978)
Lender fees received		**1,053**	1,269	**4,434**	6,380
Interest income, net of syndications		**(28,641)**	(28,287)	**(87,854)**	(73,143)
Interest income received, net of syndications		**20,361**	23,430	**72,999**	59,817
Financing costs		**9,694**	9,044	**29,299**	21,859
Fair value (gain) loss and interest income on financial assets measured at FVTPL		**(256)**	253	**(855)**	1,007
Interest received from financial assets measured at FVTPL		**168**	—	**490**	—
Fair value loss on real estate properties		**—**	—	**—**	363
Net additions to real estate inventory		**(169)**	(153)	**(243)**	(153)
Net realized and unrealized foreign exchange loss (gain)		**18**	(184)	**46**	(396)
Allowance for expected credit loss		**692**	3,733	**1,867**	4,682
Net change in non-cash operating items	12	**(169)**	(998)	**(9)**	(1,487)
		17,459	$ 19,294	**65,228**	$ 53,033
FINANCING ACTIVITIES					
Net credit facility draws (repayments)		**44,168**	23,000	**(45,895)**	95,000
Net proceeds from issuance of common shares		**—**	1	**—**	14,304
Interest and financing costs paid		**(6,418)**	(8,703)	**(24,921)**	(21,684)
Dividends paid to shareholders		**(12,902)**	(13,090)	**(38,898)**	(39,209)
Repurchase of common shares		**(2,688)**	(1,478)	**(8,477)**	(1,478)
		22,160	(270)	**(118,191)**	46,933
INVESTING ACTIVITIES					
Distribution from financial assets measured at FVTPL		**—**	—	**981**	—
Net additions to investment properties		**—**	—	**—**	7,510
Net receipts (payments) on maturity of forward contracts		**20**	359	**(538)**	359
Funding of other investments		**—**	(1,765)	**(823)**	(8,171)
Proceeds from other investments		**30**	29	**14,628**	10,584
Funding of mortgage investments, net of syndications		**(81,740)**	(105,446)	**(270,602)**	(601,992)
Discharges of mortgage investments, net of syndications		**75,100**	86,857	**339,636**	487,337
		(6,590)	(19,966)	**83,282**	(104,373)
Increase (decrease) in cash and cash equivalents		**33,029**	(942)	**30,319**	(4,407)
Net foreign exchange (loss) gain on cash accounts		**(10)**	196	**—**	40
Cash and cash equivalents, beginning of period		**132**	2,723	**2,832**	6,344
Cash and cash equivalents, end of period		**$ 33,151**	$ 1,977	**$ 33,151**	$ 1,977

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(In thousands of Canadian dollars)

1. CORPORATE INFORMATION

Timbercreek Financial Corp. (the “Company”, “TF” or “Timbercreek Financial”) is a mortgage investment corporation domiciled in Canada. The Company is incorporated under the laws of the Province of Ontario. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The common shares of the Company are listed on the Toronto Stock Exchange (“TSX”) under the symbol “TF”.

The investment objective of the Company is to secure and grow a diversified portfolio of high quality mortgage and other investments, generating an attractive risk adjusted return and monthly dividend payments to shareholders, balanced by a strong focus on capital preservation.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements of the Company have been prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

These unaudited interim condensed consolidated financial statements should be read in conjunction with the notes to the audited consolidated financial statements for the year ended December 31, 2022 since these financial statements do not contain all disclosures required by IFRS Accounting Standards for annual financial statements.

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors on November 1, 2023.

(b) Principles of consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Timbercreek Mortgage Investment Fund. The financial statements of the subsidiaries included in these unaudited interim condensed consolidated financial statements are from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated upon consolidation.

(c) Basis of measurement

These unaudited interim condensed consolidated financial statements have been prepared on both a going concern and the historical cost basis except for certain items which have been measured at FVTPL at each reporting date and include: debt investments not meeting the solely payments of principal and interest criterion, participating debentures, and foreign currency forward contracts.

(d) Critical accounting estimates, assumptions and judgements

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 noted below, 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.

Global financial markets continued to be volatile during Q3 2023, in part due to instability in the global markets due to banking concerns, economic fallout as well as continued high levels of inflation, globally high interest rates and Russia's military invasion of Ukraine and the related sanctions. There remains uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the consolidated financial statements. Given the current geopolitical landscape and the economic uncertainty, it is difficult to predict with certainty the impact these will have on the Company's estimate of allowance for credit losses both in the short term and in the long term.

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

Measurement of fair values

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

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

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

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

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

Note 4 – Mortgage and other investments, including mortgage syndications; and
Note 17 – Fair value measurements.

Measurement of expected credit loss

The determination of the allowance for credit losses takes into account different factors and varies by nature of investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the allowance of credit loss. The Company exercises significant credit judgment 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 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 investments.

Classification of mortgage and other investments

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

Net realizable value of real estate inventory

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

(e) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same, except as noted below, as those applied by the Company in its consolidated financial statements for the year ended December 31, 2022, which were prepared in accordance with IFRS Accounting Standards as issued by the IASB.

Changes in accounting policies

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Company has adopted the amendments in its financial statements for the period beginning January 1, 2023. The implementation of the amendments did not have a material impact on the Company's financial statements.

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Company has adopted the amendments in its financial statements for the period beginning January 1, 2023. The implementation of the amendments did not have a material impact on the Company's financial statements.

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of Canadian dollars)

4. MORTGAGE AND OTHER INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

(a) Mortgage investments

As at September 30, 2023	Note		Mortgages, including mortgage syndications		Mortgage syndication liabilities		Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost	4(b)(c)	$	**1,637,104**	$	**(573,998)**	$	**1,063,106**
Interest receivable			**21,873**		**(4,023)**		**17,850**
			1,658,977		**(578,021)**		**1,080,956**
Unamortized lender fees			**(6,530)**		**1,648**		**(4,882)**
Allowance for expected credit loss	4(d)		**(10,234)**		**—**		**(10,234)**
Mortgage investments at amortized cost			**1,642,213**		**(576,373)**		**1,065,840**
Mortgage investments at FVTPL			**5,500**		**—**		**5,500**
Interest receivable			**57**		**—**		**57**
Mortgage investments at FVTPL			**5,557**		**—**		**5,557**
Mortgage investments, including mortgage syndications		$	**1,647,770**	$	**(576,373)**	$	**1,071,397**
Unadvanced Mortgage commitments		$	**336,092**	$	**195,598**	$	**140,494**

As at December 31, 2022			Mortgages, including mortgage syndications		Mortgage syndication liabilities		Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost		$	1,799,321	$	(609,012)	$	1,190,309
Interest receivable			14,694		(3,934)		10,760
			1,814,015		(612,946)		1,201,069
Unamortized lender fees			(8,456)		1,655		(6,801)
Allowance for expected credit loss			(10,605)		—		(10,605)
Mortgage investments at amortized cost			1,794,954		(611,291)		1,183,663
Mortgage investments at FVTPL			5,500		—		5,500
Interest receivable			52		—		52
Mortgage investments at FVTPL			5,552		—		5,552
Mortgage investments, including mortgage syndications		$	1,800,506	$	(611,291)	$	1,189,215
Unadvanced mortgage commitments		$	293,386	$	144,627	$	148,759

Mortgages classified at FVTPL

The Company holds a vendor-take-back mortgage classified at FVTPL with a contractual value of $6,500 and an estimated fair value of $5,500. During Q3 2023 and YTD 2023, the Company generated net interest income on net mortgage investments measured at FVTPL of $170 and $495 (Q3 2022 – $703; YTD 2022 – $1,715).

(In thousands of Canadian dollars)

The Company continues to measure its FVTPL assets using the direct comparison method, comparing the assets to directly comparable properties and has not recorded any fair value adjustments during the quarter and YTD 2023 (Q3 2022 and YTD 2022 – fair value loss of $308 and $1,185).

The changes to mortgage investments, measured at FVTPL are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Balance, beginning of period	**$ 5,500**	$ 20,856	**$ 5,500**	$ 51,474
Funding	**—**	—	**—**	234
Transfer to land inventory	**—**	—	**—**	(29,975)
Fair value loss	**—**	(308)	**—**	(1,185)
Balance, end of period	**$ 5,500**	$ 20,548	**$ 5,500**	$ 20,548

(b) Net mortgage investments

As at	September 30, 2023		December 31, 2022	
Interest in first mortgages	**92.2 % $**	**985,488**	92.4 % $	1,105,431
Interest in second and third mortgages	**7.8 %**	**83,118**	7.6 %	90,378
	100.0 % $	**1,068,606**	100.0 % $	1,195,809

The mortgage investments are secured by real property and will mature between the remainder of 2023 and 2027 (December 31, 2022 – 2023 and 2026). During Q3 2023 and YTD 2023, the Company earned interest income on mortgage investments at amortized cost of $27,207 and $83,781 (Q3 2022 – $26,077 and YTD 2022 – $67,119).

During Q3 2023 and YTD 2023, the Company recognized other income of $159 and $480 (Q3 2022 – $78; YTD 2022 – $311), attributable to bank interest income and miscellaneous income.

A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance. The unamortized lender fees are recognized over the term of the mortgage investment.

During Q3 2023 and YTD 2023, the Company amortized lender fee income on net mortgage investments, net of fees relating to mortgage syndication liabilities of $1,682 and $6,053 (Q3 2022 – $2,174; YTD 2022 – $6,633). During Q3 2023 and YTD 2023, the Company recorded non-refundable upfront lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities, of $1,053 and $4,134 (Q3 2022 – $1,076; YTD 2022 – $5,459), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

Principal repayments, net of mortgage syndication, by contractual maturity dates are as follows:

As at	September 30, 2023
2023	**$ 376,528**
2024	**459,740**
2025	**150,223**
2026	**81,981**
2027	**134**
Total	**$ 1,068,606**

(In thousands of Canadian dollars)

(c) Mortgage syndication liabilities

The Company has entered 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. The Company generally retains an option 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. As a result, the lenders' portion of these mortgages is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense are recognized in profit and loss. The Company's portion of the mortgage is recorded as mortgage investments. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 17).

(d) Allowance for Credit Losses ("ACL")

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on mortgage and other investments classified at amortized cost. The allowance for credit losses amounted to $10,648 as at September 30, 2023 (December 31, 2022 – $11,350), of which $10,234 (December 31, 2022 – $10,605) was recorded against mortgage investments and $414 (December 31, 2022 – $745) was recorded against other loan investments. Multi-residential mortgage investments is categorized by asset type that includes apartments, condominium construction and senior living and retirement housing. Other Mortgage Investments are categorized by asset type that includes retail, unimproved land, office, industrial, self-storage, condominium inventory and single-residential housing, etc.

	As at September 30, 2023				As at December 31, 2022			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**$ 765,942**	**$ 57,504**	**$ 247,579**	**$1,071,025**	$1,020,893	$ —	$ 132,767	$1,153,660
Mortgage syndication liabilities[1]	**292,899**	**40,280**	**90,387**	**423,566**	382,077	—	60,361	442,438
Net mortgage investments	**473,043**	**17,224**	**157,192**	**647,459**	638,816	—	72,406	711,222
Allowance for credit losses[2]	**665**	**203**	**1,678**	**2,546**	1,424	—	1,409	2,833
	472,378	**17,021**	**155,514**	**644,913**	637,392	—	70,997	708,389
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**507,357**	**53,608**	**26,987**	**587,952**	628,128	—	32,227	660,355
Mortgage syndication liabilities[1]	**154,455**	**—**	**—**	**154,455**	170,508	—	—	170,508
Net mortgage investments	**352,902**	**53,608**	**26,987**	**433,497**	457,620	—	32,227	489,847
Allowance for credit losses[2]	**355**	**116**	**7,217**	**7,688**	414	—	7,358	7,772
	352,547	**53,492**	**19,770**	**425,809**	457,206	—	24,869	482,075
Other Loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Other loans, including mortgage syndications[1]	**47,459**	**—**	**—**	**47,459**	60,742	—	—	60,742
Other loans syndication liabilities[1]	**—**	**—**	**—**	**—**	—	—	—	—
Net other loan investments	**47,459**	**—**	**—**	**47,459**	60,742	—	—	60,742
Allowance for credit losses[2]	**414**	**—**	**—**	**414**	745	—	—	745
	$ 47,045	**$ —**	**$ —**	**$ 47,045**	$ 59,997	$ —	$ —	$ 59,997

[1]Including interest receivable.
[2]Allowance for credit losses in finance lease receivable (note 4(e)) and unadvanced commitments (note 4) are all considered to be with minimal ACL.

Notes to the Interim Condensed Consolidated Financial Statements

(In thousands of Canadian dollars)

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

	Nine Months Ended September 30, 2023				Nine Months Ended September 30, 2022			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	$ 1,424	$ —	$ 1,409	$ 2,833	$ 882	$ —	$ —	$ 882
Allowance for credit losses:								
Remeasurement	66	162	1,987	2,215	37	—	—	37
Transfer to/(from)								
Stage 1	(893)	—	—	(893)	—	—	—	—
Stage 2	—	41	—	41	—	—	—	—
Stage 3	—	—	852	852	—	—	—	—
Total allowance for credit losses	597	203	4,248	5,048	919	—	—	919
Fundings	163	—	—	163	685	—	—	685
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(95)	—	—	(95)	(213)	—	—	(213)
Derecognition against inventory	—	—	(2,570)	(2,570)	—	—	—	—
Balance, end of period	665	203	1,678	2,546	1,391	—	—	1,391
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	414	—	7,358	7,772	283	52	1,753	2,088
Allowance for credit losses:								
Remeasurement	35	47	(141)	(59)	40	(5)	4,269	4,304
Transfer to/(from)								
Stage 1	(69)	—	—	(69)	—	—	—	—
Stage 2	—	69	—	69	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	380	116	7,217	7,713	323	47	6,022	6,392
Fundings	25	—	—	25	63	—	—	63
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(50)	—	—	(50)	(41)	—	—	(41)
Balance, end of period	355	116	7,217	7,688	345	47	6,022	6,414
Other Loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	745	—	—	745	898	—	—	898
Allowance for credit losses:								
Remeasurement	(287)	—	—	(287)	(101)	—	—	(101)
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	458	—	—	458	797	—	—	797
Fundings	—	—	—	—	12	—	—	12
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(44)	—	—	(44)	(64)	—	—	(64)
Balance, end of period	$ 414	$ —	$ —	414	$ 745	$ —	$ —	$ 745

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

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

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

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

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

(In thousands of Canadian dollars)

	As at September 30, 2023				As at December 31, 2022			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Low risk	**$ 173,793**	**$ —**	**$ —**	**$ 173,793**	$ 117,051	$ —	$ —	$ 117,051
Medium-Low risk	**234,170**	**—**	**—**	**234,170**	324,592	—	—	324,592
Medium-High risk	**58,675**	**17,224**	**—**	**75,899**	194,748	—	—	194,748
High risk	**6,405**	**—**	**—**	**6,405**	2,425	—	—	2,425
Default	**—**	**—**	**157,192**	**157,192**	—	—	72,406	72,406
Net Mortgage Investments[1]	**473,043**	**17,224**	**157,192**	**647,459**	638,816	—	72,406	711,222
Allowance for credit losses	**665**	**203**	**1,678**	**2,546**	1,424	—	1,409	2,833
	472,378	**17,021**	**155,514**	**644,913**	637,392	—	70,997	708,389
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Low risk	**36,547**	**—**	**—**	**36,547**	107,417	—	—	107,417
Medium-Low risk	**204,589**	**—**	**—**	**204,589**	233,874	—	—	233,874
Medium-High risk	**80,636**	**53,608**	**—**	**134,244**	116,329	—	—	116,329
High risk	**31,130**	**—**	**—**	**31,130**	—	—	—	—
Default	**—**	**—**	**26,987**	**26,987**	—	—	32,227	32,227
Net Mortgage Investments[1]	**352,902**	**53,608**	**26,987**	**433,497**	457,620	—	32,227	489,847
Allowance for credit losses	**355**	**116**	**7,217**	**7,688**	414	—	7,358	7,772
	352,547	**53,492**	**19,770**	**425,809**	457,206	—	24,869	482,075
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	**47,459**	**—**	**—**	**47,459**	60,742	—	—	60,742
Default	**—**	**—**	**—**	**—**	—	—	—	—
Net other loan investments	**47,459**	**—**	**—**	**47,459**	60,742	—	—	60,742
Allowance for credit losses	**414**	**—**	**—**	**414**	745	—	—	745
	$ 47,045	**$ —**	**$ —**	**$ 47,045**	$ 59,997	$ —	$ —	$ 59,997

1. Net of mortgage syndications.

(In thousands of Canadian dollars)

(e) Other investments

As at	September 30, 2023	December 31, 2022
Other loan investments, net of allowance for credit loss	**$ 46,951**	$ 59,956
Finance lease receivable, measured at amortized cost	**6,020**	6,020
Investment, measured at FVTPL	**4,087**	4,744
Joint venture investment in indirect real estate development	**2,225**	2,225
Total Other Investments	**$ 59,283**	$ 72,945

During Q3 2023 and YTD 2023, other loan investments generated interest income of $1,191 and $3,830 (Q3 2022 – $1,471; YTD 2022 – $4,169) and amortized lender fee income of $67 and $341 (Q3 2022 – $159; YTD 2022 – $345). During Q3 2023 and YTD 2023, the Company recorded non-refundable upfront cash lender fees of nil and $300 (Q3 2022 – nil; YTD 2022 – $193), which are amortized over the term of the related other loan investments using the effective interest rate method.

During Q3 2023 and YTD 2023, investment measured at FVTPL received total cash distribution of nil and $981 (Q3 2022 – $92; YTD 2022 – $570), represented by a return of capital distribution of nil and $707 (Q3 2022 – $23; YTD 2022 – $173), and income distribution of nil and $274 (Q3 2022 – $69; YTD 2022 – $407).

In October 2017, the Company entered into a 20-year emphyteutic lease under which the lessee has the obligation to purchase the property at $9,934 at the end of the lease term on September 2038 and the option to purchase the property earlier based on a prescribed purchase price schedule. The Company has classified the lease as a finance lease and the lease receivable balance of $6,020 (December 31, 2022 – $6,020) is included in other investments. The lease payment began in the third quarter of 2018. Concurrently, the Company entered into a 20-year $3,300 construction loan on the leased property with the lessee which is included in other loan investments. The loan amortization payment began in the fourth quarter of 2019.

The lease receivable payments are due as follows:	Future minimum lease payments	Present value of minimum lease payments
Less than one year	$ 125	$ 131
Between one and five years	768	657
More than five years	12,376	5,232
	$ 13,269	**$ 6,020**

5. REAL ESTATE INVENTORY

Land Inventory

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

As at September 30, 2023, the Company has land inventory of $30,488 (December 31, 2022 – $30,245), which is recorded at the lower of cost and net realizable value.

(In thousands of Canadian dollars)

Real Estate Properties Inventory

On August 31, 2023, the Company, along with its syndication partners, elected to credit bid three properties which were subject to CCAA proceedings. The properties were previously the collateral for a mortgage investment at amortized cost. Effective August 31, 2023, the Company obtained the beneficial interest in the three properties in exchange for the discharge of the associated mortgage investments, on a non-cash basis. The Company intends to sell the properties, it has accordingly recorded them as inventory at the lower of cost and net realizable value less costs to sell. At the time of the exchange, the mortgage investment, net of syndication liability, had a carrying value of $63,855 comprised of net mortgage investment of $64,363, net interest receivable of $2,062 and an ACL provision of $2,569. The Company recognized the three properties as real estate inventory and accordingly recorded them along with associated working capital of $1,888 at a cost of $132,875 inclusive of the syndication partner's 50% share and recognized a corresponding real estate inventory collateral liability of $69,025 to the remaining participants in the discharged mortgage investment.

As at September 30, 2023, the Company has real estate properties inventory of $130,987 (December 31, 2022 – nil), which is recorded as the lower or cost and net realizable value.

6. CREDIT FACILITY

As at	September 30, 2023	December 31, 2022
Credit facility	**$ 405,105**	$ 451,000
Unamortized financing costs	**(234)**	(653)
Credit facility, end of period	**$ 404,871**	$ 450,347

As of September 30, 2023, the Company has an aggregate credit limit of $600,000. The facility is secured by a general security agreement over the Company’s assets and its subsidiaries. The credit facility agreement matures on February 10, 2024.

The interest rates and fees of the Ninth Amending Credit Agreement are either at the prime rate of interest plus 1.00% per annum (December 31, 2022 – prime rate of interest plus 1.00% per annum) or bankers’ acceptances with a stamping fee of 2.00% (December 31, 2022 – 2.00%) and standby fee of 0.40% per annum (December 31, 2022 – 0.40%) on the unutilized credit facility balance. As at September 30, 2023, the Company’s qualified credit facility limit, which is subject to a borrowing base as defined in the Ninth Amending Credit Agreement is $431,646.

During Q3 2023 and YTD 2023, the Company incurred financing costs of $98 and $134 (Q3 2022 – $54; YTD 2022 – $801). The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

Interest on the credit facility is recorded in financing costs and calculated using the effective interest rate method. For Q3 2023 and YTD 2023, included in financing costs is interest on the credit facility of $7,316 and $21,997 (Q3 2022 – $6,535; YTD 2022 – $14,122) and financing costs amortization of $128 and $553 (Q3 2022 – $253; YTD 2022 – $705).

During Q3 2022 and YTD 2022, included in financing costs is interest on the credit facility - investment properties of nil and $253 and financing costs amortization of nil and $17. In April 2022, in connection with the disposition of the investment properties, the Company's share of the outstanding principal was assumed by the purchaser.

As at September 30, 2023, the Company was in default on one of its financial covenants associated with the Ninth Amending Credit Agreement. Subsequent to period end, effective on October 6, 2023, the Company amended the Credit Agreement subject to the Tenth Amending Credit Agreement and was no longer in default. As part of the amendment, the Company does not have access to its $35,000 accordion option until certain conditions are waived. Details of the default are further expanded on in note 15.

(In thousands of Canadian dollars)

7. CONVERTIBLE DEBENTURES

As at September 30, 2023, and December 31, 2022, the Company's obligations under the convertible unsecured debentures are as follows:

Series	Ticker	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price per share	Equity Component	September 30, 2023	December 31, 2022
June 2017 Debentures	TF.DB.C	5.30 %	June 30, 2024	June 30 and December 31	11.10	$ 560	**$ 45,000**	$ 45,000
July 2021 Debentures	TF.DB.D	5.25 %	July 31, 2028	January 31 and July 31	11.40	1,107	**55,000**	55,000
December 2021 Debentures	TF.DB.E	5.00 %	December 31, 2028	June 30 and December 31	11.40	1,405	**46,000**	46,000
Unsecured Debentures, principal							**146,000**	146,000
Unamortized financing cost and amount allocated to equity component							**(5,511)**	(6,580)
Debentures, end of period							**$ 140,489**	$ 139,420

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Interest on the convertible debentures	**$ 1,894**	$ 1,893	**$ 5,680**	$ 5,669
Amortization of issue costs and accretion of the convertible debentures	**356**	363	**1,069**	1,093
Total	**$ 2,250**	$ 2,256	**$ 6,749**	$ 6,762

June 2017 Debentures

On June 13, 2017, the Company completed a public offering of $40,000, plus an over-allotment option of $5,000 on June 27, 2017, of 5.30% convertible unsecured subordinated debentures for net proceeds of $42,774 (the “June 2017 Debentures”).

On or after June 30, 2022 and prior to the maturity date, the June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice.

The issue costs of $2,226 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

July 2021 Debentures

On July 8, 2021 the Company completed a public offering of $50,000, plus an over-allotment option of $5,000 on July 15, 2021, of 5.25% convertible unsecured subordinated debentures for net proceeds of $52,140 (the “July 2021 Debentures”).

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

The issue costs of $2,860 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

December 2021 Debentures

On December 3, 2021 the Company completed a public offering of $40,000 plus an over-allotment option of $6,000 on December 10, 2021, of 5.00% convertible unsecured subordinated debentures for net proceeds of $43,765 (the “December 2021 Debentures”).

The December 2021 Debentures are redeemable on or after December 31, 2024 and prior to December 31, 2026 in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after December 31, 2026 and prior to the maturity date, the December 2021 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice.

The issue costs of $2,235 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

(In thousands of Canadian dollars)

8. 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 June 10, 2021, the Company filed a 25-month period base shelf prospectus in all provinces and territories of Canada which allows the Company to offer and issue common shares, debt securities, subscription receipts, warrants, and units (collectively, the "Securities") from time to time up to an aggregate offering price of $500,000. The base shelf prospectus expired on July 10, 2023.

The changes in the number of common shares were as follows:	Nine months ended September 30,	
	2023	**2022**
Balance, beginning of period	**83,887,516**	82,219,602
Issuance of common shares	**—**	1,504,300
Common shares issued under dividend reinvestment plan	**572,551**	449,673
Common shares repurchased for dividend reinvestment plan	**(572,551)**	(168,559)
Common shares repurchased under normal course issuer bid	**(545,400)**	(10,000)
Balance, end of period	**83,342,116**	83,995,016

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

The Company announced on June 18, 2021 that it has established an ATM Program which allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to $90,000 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. The ATM Program was active between June 2021 and August 2022 and expired on July 10, 2023.

During Q3 2023, the Company did not issue any common shares under the ATM program. During Q3 2022, the Company issued 100 common shares for gross proceeds of $1 at an average price of $8.65 per common share and paid nil in commissions to the agent, pursuant to the equity distribution agreement.

During YTD 2023, the Company did not issue any common shares under the ATM program. During YTD 2022, the Company issued 1,504,300 of common shares for gross proceeds of $14,323 at an average price of $9.52 per common share and paid $246 in commissions to the agent, pursuant to the equity distribution agreement.

(b) Dividend reinvestment plan ("DRIP")

The DRIP provided eligible beneficial and registered holders of common shares with a means to reinvest dividends declared and payable on such common shares into additional common shares. Under the DRIP, shareholders could enroll to have their cash dividends reinvested to purchase additional common shares. The common shares can be purchased from the open market based upon the prevailing market rates or from treasury at a price of 98% of the average of the daily volume weighted average closing price on the TSX for the 5 trading days preceding payment, the price of which will not be less than the book value per common share.

During Q3 2023 and YTD 2023, the Company purchased from open market 200,079 and 572,551 common shares (Q3 2022 – 168,559 and YTD 2022 – 168,559) for a total amount of $1,484 and $4,427 (Q3 2022 – $1,402 and YTD 2022 – $1,402) at an average price of $7.42 and $7.73 per common share (Q3 2022 – $8.32 and YTD 2022 – $8.32).

During Q3 2023 and YTD 2023, the Company did not issue common shares from treasury. During Q3 2022 and YTD 2022, the Company issued from treasury nil and 281,114 common shares and retained nil and $2,553 in dividends at an average price of nil and $9.08 per common share.

(c) Dividends to holders of common shares

The Company intends to pay dividends to holders of common shares monthly within 15 days following the end of each month. During Q3 2023 and YTD 2023, the Company declared dividends of $14,378 or $0.1725 per common share and $43,263 or $0.5175 per common share (Q3 2022 – $14,491, $0.1725 per common share and YTD 2022 – $43,241, $0.5175 per common share).

As at September 30, 2023, $4,762 in aggregate dividends (December 31, 2022 – $4,824) were payable to the holders of common shares by the Company. Subsequent to September 30, 2023, the Board of Directors of the Company declared dividends of $0.0575 per common share to be paid on October 13, 2023 to the common shareholders of record on September 30, 2023.

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

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

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

The Company may repurchase 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 Q3 2023 and YTD 2023, the Company repurchased 108,300 and 545,400 common shares (Q3 2022 – 10,000; YTD 2022 – 10,000) for a total amount of $801 and $4,050 (Q3 2022 – $76; YTD 2022 – $75). The average price per common share repurchased was $7.40 for Q3 2023 (Q3 2022 – $7.59) and $7.43 for YTD 2023 (YTD 2022 – $7.59).

9. NON-EXECUTIVE DIRECTOR DEFERRED SHARE UNIT PLAN ("DSU PLAN")

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

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

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

During Q3 2023 and YTD 2023, 8,650 and 28,749 units were issued (Q3 2022 and YTD 2022 – 9,550 and 28,252 units) and as at September 30, 2023, 127,786 units were outstanding (December 31, 2022 – 99,037 units). During Q3 2023 and YTD 2023, nil DSUs were exercised (Q3 2022 and YTD 2022 – 48,353 and 82,807).

DSU expense for Q3 2023 and YTD 2023 was $64 and $205 (Q3 2022 and YTD 2022 – $70 and $275), the units related to Q3 Director's compensation will be issued subsequent to September 30, 2023.

10. MANAGEMENT, SERVICING AND ARRANGEMENT FEES

The management agreement has a term of 10 years that commenced on April 1, 2020 and is automatically renewed for successive five year terms at the expiration of the initial term and pays (i) management fee equal to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes, and (ii) servicing fee equal to 0.10% of the amount of any senior tranche of a mortgage that is syndicated by the Manager to a third party investor on behalf of the Company, where the Company retains the corresponding subordinated portion. Gross assets are defined as the total assets of the Company less unearned revenue before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities.

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 Q3 2023 and YTD 2023, the Company incurred management fees including applicable taxes of $2,842 and $9,021 (Q3 2022 – $3,021; YTD 2022 – $9,184) and servicing fees including applicable taxes of $181 and $558 (Q3 2022 – $208; YTD 2022 – $554). During Q3 2023 and YTD 2023, Arrangement Fees of $315 and $483 paid by borrower were retained by the Manager (Q3 2022 – $130 and YTD 2022 – $553).

(In thousands of Canadian dollars)

11. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing total net income and comprehensive income by the weighted average number of common shares during the period.

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.

The following table shows the computation of per share amounts:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Total net income and comprehensive income (basic)	**$ 16,455**	$ 13,520	**$ 51,447**	$ 41,082
Interest expense on convertible debentures	**2,250**	—	**6,749**	—
Total net income and comprehensive income (diluted)	**$ 18,705**	$ 13,520	**$ 58,196**	$ 41,082
Weighted average number of common shares (basic)	**83,347,431**	84,004,693	**83,621,043**	83,505,059
Effect of conversion of convertible debentures	**12,913,703**	—	**12,913,703**	—
Weighted average number of common shares (diluted)	**96,261,134**	84,004,693	**96,534,746**	83,505,059
Earnings per share – basic	**$ 0.20**	$ 0.16	**$ 0.62**	$ 0.49
Earnings per share – diluted	**$ 0.19**	$ 0.16	**$ 0.60**	$ 0.49

12. CHANGE IN NON-CASH OPERATING ITEMS

Change in non-cash operating items:	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Other assets	**$ 933**	$ 755	**$ 4,994**	$ (567)
Accounts payable and accrued expenses	**(128)**	519	**(664)**	330
Due to Manager	**(54)**	(143)	**(37)**	(262)
Mortgage and other loans funding holdbacks	**(143)**	(922)	**(650)**	404
Prepaid mortgage and other loans interest	**(777)**	(1,207)	**(3,652)**	(1,392)
	$ (169)	$ (998)	**$ (9)**	$ (1,487)

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13. CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Three months ended September 30,		Nine months ended September 30,	
Convertible Debentures	**2023**	**2022**	**2023**	**2022**
Balance, beginning of period	**$ 140,131**	$ 138,466	**$ 139,420**	$ 137,736
Non-cash activity - amortization of issue costs and accretion expense	**358**	363	**1,069**	1,093
Balance, end of period	**$ 140,489**	$ 138,829	**$ 140,489**	$ 138,829

	Three months ended September 30,		Nine months ended September 30,	
Credit Facilities	**2023**	**2022**	**2023**	**2022**
Balance, beginning of period	**$ 360,672**	$ 490,885	**$ 450,347**	$ 449,869
Deferred financing cost[1]	**(98)**	(54)	**(134)**	(813)
Net advances (repayments)	**44,168**	23,000	**(45,895)**	95,000
Total financing cash flow activities	**44,070**	22,946	**(46,029)**	94,187
Non-cash activity - credit facility - investment properties transfer out	**—**	—	**—**	(30,692)
Non-cash activity - amortization of financing costs	**129**	253	**553**	720
Balance, end of period	**$ 404,871**	$ 514,084	**$ 404,871**	$ 514,084

[1] Deferred financing cost is included in interest paid section in the interim condensed consolidated statement of cash flow.

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14. RELATED PARTY TRANSACTIONS

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

(a) As at September 30, 2023, Due to Manager consists of management and servicing fees payable of $1,061 (December 31, 2022 – $1,098).

(b) During Q3 2023 and YTD 2023, Arrangement Fees of $315 and $483 paid by borrower were retained by the Manager (Q3 2022 – $130 and YTD 2022 – $553).

(c) As at September 30, 2023, included in other assets is $1,764 (December 31, 2022 – $6,066) 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 September 30, 2023, the Company has a first mortgage investment which a director of the Manager is also an officer and part-owner of an entity which holds a subordinate loan position.

- A first mortgage investment with a total gross commitment of $48,750 (December 31, 2022 – $48,750). The Company's share of the commitment is $4,375 (December 31, 2022 – $4,375). During Q3 2023 and YTD 2023, the Company has recognized net interest income of $199 and $577 (Q3 2022 and YTD 2022 – $157 and $338).

(e) As at September 30, 2023, the Company and Timbercreek Real Estate Finance U.S. Holding LP are related parties as they are managed by the Manager, and they have co-invested in 2 other loan investments (December 31, 2022 – 2) totaling $35,416 (December 31, 2022 – $35,479). The Company's share in these mortgage investments is $10,490 (December 31, 2022 – $10,508).

(f) As at September 30, 2023, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling $4,087 or €2,921 (December 31, 2022 – $4,744 or €3,281), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.

(g) As at September 30, 2023, the Company and Timbercreek North American Mortgage Fund are related parties as they are managed by the Manager, and they have co-invested in 1 mortgage (December 31, 2022 – 1) totaling $22,005 (December 31, 2022 – $19,957). The Company's share in this mortgage investment is $11,003 (December 31, 2022 – $9,979).

15. CAPITAL RISK MANAGEMENT

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include common shares, convertible debentures and the credit facility.

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

The Company's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. There have been no changes in the process over the previous year. As at September 30, 2023, the Company was in compliance with its investment restrictions.

Pursuant to the terms of the credit facility, the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum adjusted shareholders' equity, maximum non-debenture indebtedness to adjusted shareholders' equity and maximum consolidated debt to total assets. As at September 30, 2023, the Company did not meet the minimum adjusted shareholder's equity covenant due to increased exposure in non-performing mortgages. On October 6, 2023, the Company renegotiated the terms of the Credit Agreement which included an amendment to the adjusted shareholders equity covenant and an associated waiver of such default.

16. RISK MANAGEMENT

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Company's direct control. The Manager and Board of Directors play an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Company's business activities, including its use of financial instruments, exposes the Company to various risks, the most significant of which are market rate risk (interest rate risk and currency risk), credit risk, and liquidity risk.

(a) 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 September 30, 2023, $1,045,998 of net mortgage investments and $5,000 of other investments bear interest at variable rates (December 31, 2022 – $1,173,733 and $5,000, respectively). Net mortgage investments totaling $971,455 have a floor rate (December 31, 2022 – $1,105,708).

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 $4,995 (December 31, 2022 – 0.50% and $5,709) or an increase in net income of $5,156 (December 31, 2022 – 0.50% and $5,894, respectively). 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 September 30, 2023, net exposure to interest rate risk was $405,105 (December 31, 2022 – $451,000), 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 $2,026 (December 31, 2022 – 0.50% and $2,255).

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.

(b) 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 September 30, 2023, the Company has US$7,451 and €2,921 in other investments denominated in foreign currencies (December 31, 2022 – US$7,102 and €3,241 in other investments). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at September 30, 2023, the Company has one U.S. dollar currency forward contract with an aggregate notional value of US$7,000, at a forward contract rate of 1.3222, that matures in January 2024. The Company also has one Euro currency contract with an aggregate notional value of €2,700 at a contract rate of 1.4578, that matures in December 2023.

The fair value of the foreign currency forward contracts as at September 30, 2023 is a liability of $159 which is included in accounts payable. The valuation of the foreign currency forward contracts was computed using Level 2 inputs which include spot and forward foreign exchange rates.

(c) 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 September 30, 2023 relating to net mortgages and other investments amount to $1,169,585 (December 31, 2022 – $1,276,737).

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. The Manager routinely obtains credit history reports on prospective tenants before entering into a tenancy agreement.

(In thousands of Canadian dollars)

(d) 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.

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at September 30, 2023, including expected interest payments:

September 30, 2023	Carrying value	Contractual cash flow	Within a year	Following year	3 – 5 years	5 + Years
Accounts payable and accrued expenses	$ 5,482	$ 5,482	$ 5,482	$ —	$ —	$ —
Dividends payable	4,762	4,762	4,762	—	—	—
Due to Manager	1,061	1,061	1,061	—	—	—
Mortgage and other loans funding holdbacks	695	695	695	—	—	—
Prepaid mortgage and other loans interest	1,069	1,069	1,069	—	—	—
Credit facility[1]	404,871	417,209	417,209	—	—	—
Real estate inventory collateral liability	69,025	69,025	69,025	—	—	—
Convertible debentures[2]	140,489	173,820	51,976	5,188	70,081	46,575
	$ 627,454	$ 673,123	$ 551,279	$ 5,188	$ 70,081	$ 46,575
Unadvanced mortgage commitments[3]	—	336,092	336,092	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities[4]	$ 627,454	$ 1,009,215	$ 887,371	$ 5,188	$ 70,081	$ 46,575

1 Credit facility includes interest based upon September 30, 2023 interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on February 10, 2024.The Company intends to renew its credit facility prior to maturity.

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

3 Unadvanced mortgage commitments include syndication commitments of which $195,598 belongs to the Company's syndicated partners.

4 The principal repayments of $573,998 mortgage syndication liabilities by contractual maturity date are shown net with mortgage investments in note 4(b).

As at September 30, 2023, the Company had a cash position of $33,151 (December 31, 2022 – $2,832), an unutilized credit facility balance of $26,541 (December 31, 2022 – $103,528). 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 use of the credit facility. The Company is continuing to have discussions with the lenders on the renewal of the credit facility.

(In thousands of Canadian dollars)

17. FAIR VALUE MEASUREMENTS

The following table shows the classification carrying amounts and fair values of financial assets and financial liabilities:

As at September 30, 2023	Note	Carrying value: Amortized cost	Carrying value: Fair value through profit or loss	Fair value
Financial assets				
Cash and cash equivalents		$ 33,151	$ —	$ 33,151
Other assets		4,619	—	4,619
Mortgage investments, including mortgage syndications		1,642,213	5,557	1,647,770
Other investments	4(e)	52,971	4,087	57,058
Financial liabilities				
Accounts payable and accrued expenses		4,439	1,043	5,482
Dividends payable		4,762	—	4,762
Due to Manager		1,061	—	1,061
Mortgage funding holdbacks		695	—	695
Prepaid mortgage interest		1,069	—	1,069
Credit facility		404,871	—	405,105
Real estate inventory collateral liability		69,025	—	69,025
Convertible debentures		140,489	—	126,512
Mortgage syndication liabilities		576,373	—	576,373

As at December 31, 2022	Note	Carrying value: Amortized cost	Carrying value: Fair value through profit or loss	Fair value
Financial assets				
Cash and cash equivalents		$ 2,832	$ —	$ 2,832
Other assets		8,319	—	8,319
Mortgage investments, including mortgage syndications		1,794,954	5,552	1,800,506
Other investments	4(e)	65,976	4,744	70,720
Financial liabilities				
Accounts payable and accrued expenses		3,006	1,444	4,450
Dividends payable		4,824	—	4,824
Due to Manager		1,098	—	1,098
Mortgage funding holdbacks		1,345	—	1,345
Prepaid mortgage interest		4,721	—	4,721
Credit facility		450,347	—	451,000
Convertible debentures		139,420	—	131,078
Mortgage syndication liabilities		611,291	—	611,291

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The valuation techniques and the inputs used for the Company's financial instruments are as follows:

(a) Mortgage investments, other investments, and mortgage syndication liabilities

There is no quoted price in an active market for the mortgage investments, other investments, excluding marketable securities or mortgage syndication liabilities. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage and other investments excluding marketable securities of same or similar terms. Typically, the fair value of these mortgage investments, other investments, debentures excluding marketable securities and mortgage syndication liabilities approximate their carrying values given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments and other investments excluding marketable securities is based on level 3 inputs.

(b) Other financial assets and liabilities

The fair values of cash and cash equivalents, other assets, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest, real estate inventory collateral liability and credit facility approximate their carrying amounts due to their short-term maturities or bear interest at variable rates.

The fair value of the Contract is calculated as the present value of the estimated future cash flows discounted at interest rates and an applicable yield curve with similar risk characteristics for the duration of the contract. Estimates of the future cash flows are the sum of contractually fixed future amounts and expected variable future amounts, which are based on quoted swap rates, futures prices and estimated borrowing rates.

(c) Convertible debentures

The fair value of the convertible debentures is based on a level 1 input, which is the market closing price of convertible debentures at the reporting date. There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the three months ended September 30, 2023.

18. COMPENSATION OF KEY MANAGEMENT PERSONNEL

During Q3 2023 and YTD 2023, the compensation expense of the members of the Board of Directors amounts to $100 and $295 (Q3 2022 – $70 and YTD 2022 – $275), which is paid in a combination of DSUs and cash. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (see note 10).

19. COMMITMENTS AND CONTINGENCIES

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

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

On April 28, 2022, the Company disposed of its interest in the investment properties in Saskatchewan Portfolio. The investment properties were pledged as security for the credit facility where the Company remained a guarantor for its share of the outstanding principal until September 26, 2023. The Company is no longer a guarantor on the aforementioned credit facility as of September 30, 2023.