Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the three months ended March 31, 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 May 6, 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 months ended March 31, 2024 and 2023. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 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

The Company is pleased to report its Q1 2024 results, which were highlighted by net investment income of $24.6 million (Q1 2023 – $32.7 million), distributable income of $15.8 million (Q1 2023 – $18.3 million) as well as continued progress on the resolution of several Stage 3 assets. Earnings per share and distributable income per share were $0.17 and $0.19 in Q1 2024 versus $0.22 and $0.22 in Q1 2023. The payout ratio on earnings per share was 99.7%, while the distributable income payout ratio continues to be low at 90.6%, reinforcing the Company's ability to generate healthy cash flows and dividends. Net investment income of $24.6 million, was down versus $29.7 million in Q4 2023, and reflects a lower portfolio balance after two quarters of significant repayments (turnover of 19.4% in Q1 2024 and 19.2% in Q4 2023). The portfolio typically turns over on average 50% per year, so this is a higher than normal rate, with Q1 2024 turnover driven almost entirely by the desired repayment of the Quebec City portfolio of loans of $126.3 million in early January 2024. These repayments led to the reduction in top line income, but also reduced accompanying credit facility interest expense with the Company maintaining a suitable margin on a net income basis. Repayments create capacity for new investments and the pipeline has been growing in the early months of 2024 with attractive risk/return investment opportunities. The Company is set to take advantage of a better environment to deploy capital in 2024/2025 as the market has reset from previous valuation highs. To that end, Q1 2024 was a strong originations quarter for the Company with nearly $200 million in advances. Outside of the Quebec City portfolio, turnover was only 4.7% in Q1 2024. The Company expects a reversion to more normal activity for the balance of 2024 and should see an increase in the size of the net portfolio over the course of the year.

For Q1 2024, the loan portfolio of $977.5 million had a weighted-average interest rate for the quarter of 9.9%. The Company advanced net new mortgages of $103.1 million, and $95.4 million on existing mortgages, offset by net mortgage portfolio repayments of $167.1 million. As expected, a portfolio of seven loans secured by multi-family assets in Quebec repaid in Q1 2024, contributing to the high turnover ratio. The Company successfully redeployed the capital and more, growing the portfolio by $31.3 million in the quarter. As discussed previously the Company continues to actively pursue resolution and recovery on its Stage 3 and Stage 2 loans and has made good progress this past quarter:

Stage 3 loans:

1. $13.6 million net mortgage investment in a multi-family loan currently part of a CCAA process in Montreal.

   Status: The property is nearing completion with expected occupancy in early summer 2024. To date, the owners have injected fresh cash equity into the project, construction has restarted with equity proceeds and liens are close to being fully cleared. The Company anticipates the loan returning to Stage 1 in Q2 2024 at which point the Company will begin funding the balance of the construction advances. The Company ultimately expects full repayment of the loan.

2. $15.1 million net mortgage investment condo inventory exposure in Edmonton.

   Status: The Company received $0.5 million in paydowns during Q1 2024 and is actively working to sell the remaining condo inventory. Sales activity has increased with 6 inventory units pending to close for approximately $4.6 million in Q2 2024. The original inventory balance was $23.7 million.

3. $9.1 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 redevelopment potential with excess density and potentially targeting a sales process later in 2024.

Stage 2 loans:

1. $18.6 million net mortgage investment income producing multi-family loan in Edmonton.

   Status: The loan was extended in Q4 2023 for a seven month period to enable the borrower to either sell the property or seek CMHC financing. The Company continues to expect full repayment.

2. $54.7 million net mortgage investments in three office properties and one retail property in Calgary.

   Status: In Q1 2024, the Company moved two loans from Stage 3 to Stage 2, and one loan remained in Stage 2. All three loans have collateral enhancement via equity pledges on proceeds from the sales of other assets owned by the borrower. The Company has forbearance agreements with the Borrower on these loans with a business plan focused on stabilizing asset income. Maturity dates have been extended to fall 2025.

3. $110.3 million net mortgage investments across three loans comprised of eight primarily retail properties in downtown Vancouver.

   Status: Although the loans are current, they were moved into Stage 2 while the borrower works 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. Forbearance agreements have been signed to provide the Company with enhanced security via cross-collateralization. The current business plan should result in individual asset sales during 2024 and a reduction in this exposure over time.

PORTFOLIO ACTIVITY

The net mortgage investment portfolio has increased by $31.3 million, from $946.2 million at the end of Q4 2023, to $977.5 million at the end of Q1 2024 (Q1 2023 – $1,149.1 million). The Company advanced $198.5 million in net mortgage investments, partially offset by net mortgage portfolio repayments of $167.1 million.

On net mortgage investment advances, the Company advanced 10 new net mortgage investments (Q1 2023 – 4) totaling $103.1 million (Q1 2023 – $39.3 million) and made additional advances on existing net mortgage investments of $95.4 million (Q1 2023 – $12.8 million). The new advances in net mortgage investments were comprised mainly of multi-residential real estate assets. The weighted average interest rate on new net mortgage investments' advances was 9.2%, a decrease from 9.9% in Q4 2023 (Q1 2023 – 9.2%). 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, 12 net mortgage investments (Q1 2023 – 10) were fully repaid. The Company received total mortgage portfolio repayments of $167.1 million (Q1 2023 – $98.8 million), including borrower repayments of $167.1 million (Q1 2023 – $61.3 million). The majority of these relate to seven multi-family loans in Quebec City totaling $126.3 million, where the underlying properties were sold in Q1 2024. The weighted average interest rate on fully repaid net mortgage investments was 10.3%, slightly lower than 10.6% in Q4 2023 (Q1 2023 – 10.8%). The turnover ratio was 19.4% for Q1 2024, compared to 19.2% in Q4 2023 and 8.4% in Q1 2023.

The quarterly weighted average interest rate on net mortgage investments was 9.9% in Q1 2024, compared to 10.0% in Q4 2023 (Q1 2023 – 9.7%). Interest rate exposure in the net mortgage investment portfolio was well protected at the end of Q1 2024 as floating rate loans with rate floors represented 88.6% of the portfolio (Q1 2023 – 88.2%). Of the remaining portfolio, 3.5% (Q1 2023 – 6.4%) is allocated to floating rate loans without floors and 7.9% (Q1 2023 – 5.4%) is allocated to fixed rate loans.

Maintained conservative portfolio risk composition focused on income-producing commercial real estate:

- 64.4% weighted average loan-to-value;
- 85.7% first mortgages in mortgage investment portfolio; and
- 85.7% 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 96.2% of the capital invested in Ontario, British Columbia, Quebec and Alberta, and focused on urban markets that generally experience better real estate liquidity. The mix between provinces changed significantly in Q1 2024 reflective of the Quebec City repayment event (Quebec exposure of 16% Q1'24 vs 29% Q4'23) and strong deployment in Ontario during the quarter (Ontario exposure of 45% Q1'24 vs 32% Q4'23). Management is very comfortable with a higher Ontario weighting at present and is pleased to have capacity to redeploy into Quebec. Generally speaking, the portfolio balances in thirds between Western, Central and Eastern Canada.

FINANCIAL HIGHLIGHTS

For the three months ended March 31, 2024 (“Q1 2024”) and March 31, 2023 (“Q1 2023”)

The Company reported net investment income of $24.6 million compared to $32.7 million in Q1 2023, a decrease of $8.1 million predominantly due to a lower average balance in net mortgage investments ($862.8 million in Q1 2024 compared to $1,181.5 million in Q1 2023), slightly offset by a higher weighted average interest rate of 9.9% (Q1 2023 - 9.7%)

Net income and comprehensive income was $14.4 million (Q1 2023 – $18.1 million) or basic earnings per share of $0.17 (Q1 2023 – $0.22), representing a payout ratio of 99.7% (Q1 2023 – 79.8%) for the quarter.

Distributable income was $15.8 million (Q1 2023 – $18.3 million) or distributable income per share of $0.19 (Q1 2023 – $0.22 per share) representing a payout ratio of 90.6% (Q1 2023 – 79.1%) for the quarter.

Credit Facility

The Company renewed its credit facility for 24 months extending its maturity date to February 8, 2026. The aggregate credit limit was reduced from $600.0 million to $510.0 million, which reflects the current environment and a somewhat smaller portfolio investment balance. The smaller facility reduces standby costs to the Company. The credit facility term structure generally remained the same with a 25bps increase in spread and a 5 bps increase in standby fees. The credit facility also has available a $100.0 million accordion feature available should the Company require additional capacity.

Shareholder Capital

The Company announced on March 12, 2024, that it has re-established the ATM Program which 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.

Dividends

Distributed a total of $19.1 million in dividends to shareholders, comprising of a one-time special dividend of $4.8 million, or $0.0575 per share and regular monthly dividends of $14.3 million, or $0.17 per share, resulting in a payout ratio of 90.6%.

KEY FINANCIAL POSITION INFORMATION

	March 31, 2024	March 31, 2023	December 31, 2023
Net mortgage investments[1]	**$ 977,549**	$ 1,149,149	$ 946,222
Enhanced return portfolio[1]	**$ 63,350**	$ 59,412	$ 62,658
Real estate inventory, net of collateral liability	**$ 92,845**	$ 30,320	$ 92,556
CAPITAL STRUCTURE			
Total assets	**$ 1,719,117**	$ 1,854,721	$ 1,785,957
Total liabilities	**$ 1,022,702**	$ 1,153,371	$ 1,084,818
Shareholders' equity	**$ 696,415**	$ 701,350	$ 701,139
Book value per share	**$ 8.39**	$ 8.37	$ 8.45
Convertible debentures, par	**$ 146,000**	$ 146,000	$ 146,000
Credit facility	**$ 293,536**	$ 386,564	$ 259,704
Total debentures and credit facility utilized	**$ 439,536**	$ 532,564	$ 405,704
Maximum credit limit available	**$ 567,991**	$ 746,000	$ 515,537
Credit utilization rate	**77.4 %**	71.4 %	78.7 %
COMMON SHARE INFORMATION			
Number of common shares outstanding	**83,009,516**	83,775,016	83,009,516
Closing trading price	**$ 7.73**	$ 8.00	$ 6.67
Market capitalization	**$ 641,664**	$ 670,200	$ 553,673

1. Refer to non-IFRS measures section.

OPERATING RESULTS[1]

	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
NET INCOME AND COMPREHENSIVE INCOME	**2024**	**2023**	**2023**
Net investment income on financial assets measured at amortized cost	**$ 24,590**	$ 32,709	$ 124,205
Fair value gain and other income on financial assets measured at FVTPL	**337**	282	1,282
Net rental gain (loss)	**474**	(359)	(595)
Fair value gain on real estate properties	**—**	63	63
Expenses	**(4,498)**	(4,443)	(19,140)
Income from operations	**$ 20,903**	$ 28,252	$ 105,815
Financing costs:			
Financing cost on credit facility	**(4,285)**	(7,898)	(30,396)
Financing cost on convertible debentures	**(2,250)**	(2,250)	(8,998)
Net income and comprehensive income	**$ 14,368**	$ 18,104	$ 66,421
Payout ratio on earnings per share	**99.7 %**	79.8 %	86.7 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME			
Net income and comprehensive income	**14,368**	18,104	66,421
Add: Net unrealized loss on financial assets measured at FVTPL	**(166)**	(57)	(342)
Adjusted net income and comprehensive income[1]	**$ 14,202**	$ 18,047	$ 66,078
Payout ratio on adjusted earnings per share[1]	**100.8 %**	80.1 %	87.2 %
DISTRIBUTABLE INCOME			
Adjusted net income and comprehensive income[1]	**$ 14,202**	$ 18,047	$ 66,078
Less: Amortization of lender fees	**(1,405)**	(2,465)	(8,279)
Add: Lender fees received and receivable	**1,179**	1,709	6,597
Add: Amortization of financing costs, credit facility	**416**	253	953
Add: Amortization of financing costs, convertible debentures	**243**	244	972
Add: Accretion expense, convertible debentures	**113**	113	454
Add: Unrealized fair value loss (gain) on DSU	**153**	75	(67)
Add: Expected credit loss	**912**	300	3,649
Distributable income[1]	**$ 15,813**	$ 18,276	$ 70,357
Payout ratio on distributable income[1]	**90.6 %**	79.1 %	81.9 %
PER SHARE INFORMATION			
Dividends declared to shareholders	**$ 14,319**	$ 14,451	$ 57,603
Weighted average common shares (in thousands)	**83,010**	83,970	83,509
Dividends per share	**$ 0.17**	$ 0.17	$ 0.69
Earnings per share (basic)	**$ 0.17**	$ 0.22	$ 0.80
Earnings per share (diluted)	**$ 0.17**	$ 0.21	$ 0.78
Adjusted earnings per share (basic)[1]	**$ 0.17**	$ 0.21	$ 0.79
Adjusted earnings per share (diluted)[1]	**$ 0.17**	$ 0.21	$ 0.78
Distributable income per share[1]	**$ 0.19**	$ 0.22	$ 0.84

1. Refer to non-IFRS measures section

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 Q1 2024, the Company earned net investment income on financial assets measured at amortized cost of $24.6 million (Q1 2023 – $32.7 million). Net investment income includes the following:

a. Interest income

During Q1 2024, the Company earned interest income on net mortgage investments measured at amortized cost of $21.9 million (Q1 2023 – $28.6 million). The decrease in interest income is result of lower average mortgage portfolio size from $1,181.5 million in Q1 2023 compared to $862.8 million in Q1 2024. This was slightly offset by higher weighted average interest rate of 9.9% during Q1 2024 (Q1 2023 - 9.7%). Weighted average interest rate on the portfolio remains relatively stable based on an underlying prime rate of 7.2%.

During Q1 2024, the Company earned $1.2 million (Q1 2023 – $1.4 million) of interest income on other loan investments in other investments in the enhanced return portfolio. The decrease in interest income is due to a lower average size in other loan investments of $46.7 million in Q1 2024, compared to $55.9 million in Q1 2023.

b. Lender fee income

During Q1 2024, the Company recognized income from amortization of lender fees on net mortgage investments measured at amortized cost of $1.4 million (Q1 2023 – $2.5 million).

During Q1 2024, the Company recognized income from amortization of lender fees on other loan investments in other investments in the enhanced return portfolio of $26 (Q1 2023 – $108).

c. Other income

During Q1 2024, the Company recognized other income of $97 (Q1 2023 – $186), attributable to bank interest income and miscellaneous income.

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

During Q1 2024, the Company earned interest income on net mortgage investments measured at FVTPL of $171 (Q1 2023 – $161). 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 (Q1 2023 – no fair value adjustments).

During Q1 2024, the Company recognized an unrealized fair value gain of $166 (Q1 2023 – gain $57) on investment in participating debentures, measured at FVTPL. During Q1 2023, the Company further received income distribution of $64.

Net rental income (loss) from real estate inventory

Real estate inventory generated net rental income of $474 during Q1 2024 (Q1 2023 – loss of $359).

Land inventory operations incurred a net rental loss of $149 in Q1 2024 (Q1 2023 – loss of $359).

Real estate properties inventory which was acquired in August 2023, generated net rental income of $0.6 million in Q1 2024 (Q1 2023 – nil).

Gain/Loss on real estate properties

Real estate properties inventory is recorded at the lower of cost and net realizable value. During Q1 2024, the Company has not recorded any impairments. In Q1 2023, the Company received $63 from working capital release and recorded it as a fair value gain on investment properties. This related to the sale of investment properties which were measured at fair value.

Expenses

Expenses for the quarter were $4.5 million (Q1 2023 – $4.4 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 Q1 2024, the Company incurred management fees of $2.4 million (Q1 2023 – $3.3 million). The decrease in fees is mainly attributed to lower average gross assets of $1,031.1 million in Q1 2024 compared to $1,299.1 million in Q1 2023. For Q1 2024, the Company incurred $159 (Q1 2023 – $192) in servicing fees. For Q1 2024, Arrangement Fees of nil paid by borrower were retained by the Manager (Q1 2023 – $169).

b. Expected Credit Loss ("ECL")

Expected Credit Loss for net mortgage investments in Q1 2024 was $0.9 million (Q1 2023 – $0.3 million), reflective of the changes in Stage 2 and Stage 3 net mortgage investments as discussed earlier in Recent Development section. This increases the allowance for expected credit loss provision to $13.1 million, representing approximately 1.3% of the $977.5 million net mortgage investment portfolio.

c. General and administrative

During Q1 2024, the Company incurred general and administrative expenses of $1.0 million (Q1 2023 – $0.7 million).

- Included in general and administrative expenses are $0.7 million (Q1 2023 - $0.5 million) which are recurring expenses and consist mainly of legal fees, audit fees, directors fees, shareholder reporting fees, consulting fees, filing fees and other operating expenses. The increase of $131 is primarily due to legal fees.
- In Q1 2024, $191 (Q1 2023 – nil) in non-reimbursable legal costs is recorded associated with Stage 3 loans and Real Estate Inventory in Quebec.
- In Q1 2024, $153 (Q1 2023 – $75) is recorded in non-cash mark to market loss recorded to fair value director's deferred stock units, which is due to wider change in share price in Q1 2024 than in Q1 2023

Income from Operations

Income from operations totaled $20.9 million in Q1 2024 as compared to $28.3 million in Q1 2023, quarter over quarter decrease of $7.4 million, largely driven by lower net investment income discussed above.

Financing Costs

Financing cost on credit facility

The Company has an aggregate credit limit of $510.0 million under its credit facility. Interest expense on the credit facility is recorded using the effective interest rate method.

During Q1 2024, included in financing costs is interest expense on the credit facility of $3.9 million (Q1 2023 – $7.6 million), interest expense on credit facility was $3.8 million lower mainly due to lower credit utilization, Q1 2024 saw an average credit utilization of $183.1 million, as compared to Q1 2023 average utilization of $443.1 million. Average borrowing rates marginally increased over the comparable quarter by approximately 82 basis points (57 bps increase in prime rate and 25 bps increase in stamping fees)

Non-cash financing costs amortization of $416 (Q1 2023 – $253) were included in financing costs.

Financing cost on convertible debentures

The Company has $46.0 million of 5.00% convertible unsecured subordinated debentures, $55.0 million of 5.25% convertible unsecured subordinated debentures, and $45.0 million of 5.30% convertible unsecured subordinated debentures outstanding as at March 31, 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 March 31,	
	2024	2023
Interest on the convertible debentures	**$ 1,893**	$ 1,893
Amortization of issue costs and accretion of the convertible debentures	**357**	357
Total	**$ 2,250**	$ 2,250

Net income and comprehensive income

During Q1 2024, Net income and comprehensive income of $14.4 million (Q1 2023 – $18.1 million) or basic earnings per share of $0.17 (Q1 2023 – $0.22), representing a payout ratio of 99.7% (Q1 2023 – 79.8%).

Adjusted net income and comprehensive income

Adjusted net income and comprehensive income of $14.2 million (Q1 2023 – $18.0 million) or basic and diluted adjusted earnings per share of $0.17 (Q1 2023 – $0.22 basic and $0.21 diluted adjusted earnings per share), representing a payout ratio of 100.8% (Q1 2023 – 80.1%).

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.

The Company generated distributable income of $15.8 million (Q1 2023 – $18.3 million) or distributable income per share of $0.19 (Q1 2023 – $0.22 per share) representing a payout ratio of 90.6% (Q1 2023 – 79.1%) 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.

During Q1 2024, the Company recorded non-refundable cash lender fees of $1.2 million (Q1 2023 – $1.7 million).

The quarterly weighted average lender fee was 0.9% over $103.1 million of new loans funded in Q1 2024 (Q1 2023 – 1.5% over $39.3 million). In the comparative period Q1 2023, $0.9 million out of $1.7 million cash lender fee recorded was excluded from weighted average calculation as they were related to loans funded in 2022.

The quarterly weighted average lender fees on both new and renewed mortgages was 0.8% during the quarter (Q1 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

PER SHARE INFORMATION	Three months ended March 31, 2024	2023
Dividends per share	**$ 0.17**	$ 0.17
Earnings per share (basic)	**$ 0.17**	$ 0.22
Earnings per share (diluted)	**$ 0.17**	$ 0.21
Adjusted earnings per share (basic)[1]	**$ 0.17**	$ 0.21
Adjusted earnings per share (diluted)[1]	**$ 0.17**	$ 0.21
Distributable income per share[1]	**$ 0.19**	$ 0.22

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.

STATEMENTS OF FINANCIAL POSITION

Net Mortgage Investments

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

Net Mortgage Investments	March 31, 2024	December 31, 2023
Mortgage investments, excluding mortgage syndications	$ 976,474	$ 943,488
Mortgage syndications	504,309	601,624
Mortgage investments, including mortgage syndications	1,480,783	1,545,112
Mortgage syndication liabilities	(504,309)	(601,624)
	976,474	943,488
Interest receivable	(17,063)	(14,585)
Unamortized lender fees	5,026	5,226
Expected credit loss	13,112	12,093
Net mortgage investments	$ 977,549	$ 946,222

Net mortgage investments statistics and ratios[1]	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
Total number of mortgage investments	92	107	94
Average net mortgage investment	$ 9,378	$ 11,042	$ 11,092
Average net mortgage investment portfolio	$ 862,774	$ 1,181,458	$ 1,110,926
Weighted average interest rate for the period	9.9 %	9.7 %	9.9 %
Weighted average lender fees for the period	0.8 %	1.1 %	1.0 %
Turnover ratio	19.4 %	8.4 %	44.9 %
Average remaining term to maturity (years)	0.8	0.8	0.7
Net mortgage investments secured by cash-flowing properties	85.7 %	89.0 %	86.0 %
WALTV	64.4 %	68.5 %	65.6 %

1. Refer to non-IFRS measures section.

Portfolio allocation

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

a. Security position	March 31, 2024			December 31, 2023		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Interest in first mortgages	81	$	837,441	82	$	841,264
Interest in second and third mortgages[1]	11		140,108	12		104,958
	92	$	977,549	94	$	946,222

[1]Included in the Company's interest in second and third mortgages as at March 31, 2024 was $5.1 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 March 31, 2024 was $21.0 million (December 31, 2023 – $16.4 million).

b. Region	March 31, 2024			December 31, 2023		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Quebec	19	$	154,420	25	$	278,226
Ontario	37		443,795	32		306,163
British Columbia	17		240,985	17		217,125
Alberta	9		100,847	10		107,190
Other (Saskatchewan, Nova Scotia, Manitoba and New Brunswick)	10		37,502	10		37,518
	92	$	977,549	94	$	946,222

c. Maturity	March 31, 2024			December 31, 2023		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
2024	49	$	563,860	62	$	679,801
2025	23		244,650	22		198,624
2026	18		145,924	9		67,672
2027	2		23,115	1		125
	92	$	977,549	94	$	946,222

d. Asset Type / WALTV at origination	March 31, 2024				December 31, 2023			
	Number		Net Mortgage Investments	WALTV at origination	Number		Net Mortgage Investments	WALTV at origination
Multi-Residential[1]	60	$	533,286	62.7%	62	$	534,209	69.2%
Retail	9		163,988	67.2%	9		149,127	70.3%
Unimproved Land[2]	2		29,173	36.7%	2		28,755	36.7%
Improved Land[3]	3		36,973	59.2%	3		28,816	55.4%
Office	6		81,674	59.2%	6		75,028	58.8%
Retirement	1		14,300	71.3%	1		14,299	71.3%
Industrial	7		66,288	54.2%	7		61,090	51.9%
Single-Residential	3		46,367	55.7%	3		49,398	55.4%
	91		972,049	61.4%	93		940,722	65.3%
Net mortgage investments measured at FVTPL	1		5,500	n/a	1		5,500	n/a
	92	$	977,549		94	$	946,222	

[1] Includes 6 construction loans (December 31, 2023 – 6) totaling $38.4 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.

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 $504.3 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 $13.3 million as at March 31, 2024 (December 31, 2023 – $12.4 million), of which $13.1 million (December 31, 2023 – $12.1 million) was recorded against mortgage investments and $230 (December 31, 2023 – $337) was recorded against other investments.

	As at March 31, 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]	**$ 853,302**	**$ 58,902**	**$ 52,500**	**$ 964,704**	$ 943,841	$ 58,235	$ 51,293	$1,053,369
Mortgage syndication liabilities[1]	**308,652**	**40,280**	**38,862**	**387,794**	417,639	40,280	38,862	496,781
Net mortgage investments	**544,650**	**18,622**	**13,638**	**576,910**	526,202	17,955	12,431	556,588
Expected credit losses[2]	**969**	**327**	**549**	**1,845**	780	280	395	1,455
	543,681	**18,295**	**13,089**	**575,065**	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]	**338,932**	**165,018**	**26,760**	**530,710**	425,157	15,357	65,641	506,155
Mortgage syndication liabilities[1]	**118,565**	**—**	**—**	**118,565**	107,493	—	—	107,493
Net mortgage investments	**220,367**	**165,018**	**26,760**	**412,145**	317,664	15,357	65,641	398,662
Expected credit losses[2]	**439**	**1,460**	**9,368**	**11,267**	560	732	9,346	10,638
	219,928	**163,558**	**17,392**	**400,878**	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]	**47,791**	**—**	**—**	**47,791**	47,399	—	—	47,399
Mortgage syndication liabilities[1]	**—**	**—**	**—**	**—**	—	—	—	—
Net mortgage investments	**47,791**	**—**	**—**	**47,791**	47,399	—	—	47,399
Expected credit losses[2]	**229**	**—**	**—**	**229**	337	—	—	337
	$ 47,562	**$ —**	**$ —**	**$ 47,562**	$ 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.

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

	Three Months Ended March 31, 2024				Three Months Ended March 31, 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	**240**	**47**	**154**	**441**	(352)	157	1,166	971
Transfer to/(from)								
Stage 1	**—**	**—**	**—**	**—**	(856)	—	—	(856)
Stage 2	**—**	**—**	**—**	**—**	—	856	—	856
Stage 3	**—**	**—**	**—**	**—**	—	—	—	—
Total expected credit losses	**1,020**	**327**	**549**	**1,896**	216	1,013	2,575	3,804
Fundings	**45**	**—**	**—**	**45**	10	—	—	10
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(96)**	**—**	**—**	**(96)**	(55)	—	—	(55)
Balance at end of period	**$ 969**	**$ 327**	**$ 549**	**$ 1,845**	$ 171	$ 1,013	$ 2,575	$ 3,759

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	**290**	**(29)**	**368**	**629**	38	—	(664)	(626)
Transfer to/(from)								
Stage 1	**(411)**	**—**	**—**	**(411)**	—	—	—	—
Stage 2	**—**	**757**	**—**	**757**	—	—	—	—
Stage 3	**—**	**—**	**(346)**	**(346)**	—	—	—	—
Total expected credit losses	**439**	**1,460**	**9,368**	**11,267**	452	—	6,694	7,146
Fundings	**5**	**—**	**—**	**5**	10	—	—	10
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(5)**	**—**	**—**	**(5)**	(10)	—	—	(10)
Balance at end of period	**$ 439**	**$ 1,460**	**$ 9,368**	**$ 11,267**	$ 452	$ —	$ 6,694	$ 7,146

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	**(108)**	**—**	**—**	**(108)**	44	—	—	44
Transfer to/(from)								
Stage 1	**—**	**—**	**—**	**—**	—	—	—	—
Stage 2	**—**	**—**	**—**	**—**	—	—	—	—
Stage 3	**—**	**—**	**—**	**—**	—	—	—	—
Total expected credit losses	**229**	**—**	**—**	**229**	789	—	—	789
Fundings	**—**	**—**	**—**	**—**	—	—	—	—
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**—**	**—**	**—**	**—**	(44)	—	—	(44)
Balance at end of period	**$ 229**	**$ —**	**$ —**	**$ 229**	$ 745	$ —	$ —	$ 745

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

Stage 3 loans:

1. $13.6 million net mortgage investment in a multi-family loan currently part of a CCAA process in Montreal.
   Status: The property is nearing completion with expected occupancy in early summer 2024. To date, the owners have injected fresh cash equity into the project, construction has restarted with equity proceeds and liens are close to being fully cleared. The Company anticipates the loan returning to Stage 1 in Q2 2024 at which point the Company will begin funding the balance of the construction advances. The Company ultimately expects full repayment of the loan.

2. $15.1 million net mortgage investment condo inventory exposure in Edmonton.
   Status: The Company received $0.5 million in paydowns during Q1 2024 and is actively working to sell the remaining condo inventory. Sales activity has increased with 6 inventory units pending to close for approximately $4.6 million in Q2 2024. The original inventory balance was $23.7 million.

3. $9.1 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 redevelopment potential with excess density and potentially targeting a sales process later in 2024.

Stage 2 loans:

1. $18.6 million net mortgage investment income producing multi-family loan in Edmonton.
   Status: The loan was extended in Q4 2023 for a seven month period to enable the borrower to either sell the property or seek CMHC financing. The Company continues to expect full repayment.

2. $54.7 million net mortgage investments in three office properties and one retail property in Calgary.
   Status: In Q1 2024, the Company moved two loans from Stage 3 to Stage 2, and one loan remained in Stage 2. All three loans have collateral enhancement via equity pledges on proceeds from the sales of other assets owned by the borrower. The Company has forbearance agreements with the Borrower on these loans with a business plan focused on stabilizing asset income. Maturity dates have been extended to fall 2025.

3. $110.3 million net mortgage investments across three loans comprised of eight primarily retail properties in downtown Vancouver.
   Status: Although the loans are current, they were moved into Stage 2 while the borrower works 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. Forbearance agreements have been signed to provide the Company with enhanced security via cross-collateralization. The current business plan should result in individual asset sales during 2024 and a reduction in this exposure over time.

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.

	As at March 31, 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	**$ 272,763**	**$ —**	**$ —**	**$ 272,763**	$ 184,985	$ —	$ —	$ 184,985
Medium-Low risk	**178,350**	**—**	**—**	**178,350**	248,215	—	—	248,215
Medium-High risk	**78,355**	**18,622**	**—**	**96,977**	93,002	17,955	—	110,957
High risk	**15,182**	**—**	**—**	**15,182**	—	—	—	—
Default	**—**	**—**	**13,638**	**13,638**	—	—	12,431	12,431
Net	**544,650**	**18,622**	**13,638**	**576,910**	526,202	17,955	12,431	556,588
Expected credit losses	**969**	**327**	**549**	**1,845**	780	280	395	1,455
Mortgage investments[1]	**543,681**	**18,295**	**13,089**	**575,065**	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	**44,446**	**—**	**—**	**44,446**	39,213	—	—	39,213
Medium-Low risk	**112,469**	**—**	**—**	**112,469**	178,835	—	—	178,835
Medium-High risk	**63,452**	**98,087**	**—**	**161,539**	99,616	15,357	—	114,973
High risk	**—**	**66,931**	**—**	**66,931**	—	—	—	—
Default	**—**	**—**	**26,760**	**26,760**	—	—	65,641	65,641
Net	**220,367**	**165,018**	**26,760**	**412,145**	317,664	15,357	65,641	398,662
Expected credit losses	**439**	**1,460**	**9,368**	**11,267**	560	732	9,346	10,638
Mortgage investments[1]	**219,928**	**163,558**	**17,392**	**400,878**	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	**47,791**	**—**	**—**	**47,791**	47,399	—	—	47,399
Default	**—**	**—**	**—**	**—**	—	—	—	—
Net	**47,791**	**—**	**—**	**47,791**	47,399	—	—	47,399
Expected credit losses	**229**	**—**	**—**	**229**	337	—	—	337
Other loan Investments[1]	**$ 47,562**	**$ —**	**$ —**	**$ 47,562**	$ 47,062	$ —	$ —	$ 47,062

[1] Net of mortgage syndications.

Enhanced return portfolio

As at		March 31, 2024		December 31, 2023
Other loan investments, net of expected credit loss	$	**47,560**	$	47,033
Finance lease receivable, measured at amortized cost		**6,020**		6,020
Investment in participating debentures, measured at FVTPL		**4,545**		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	$	**63,350**	$	62,658

As at March 31, 2024, the Company held $47.6 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 ended March 31, 2024, and 2023.

As at March 31, 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 $4.5 million or €3.1 million (December 31, 2023 – $4.4 million or €3.0 million).

As at March 31, 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 March 31, 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 inventory

As at		March 31, 2024		December 31, 2023
Land inventory	$	**30,645**	$	30,577
Real estate properties inventory		**130,987**		130,987
Real estate inventory	$	**161,632**	$	161,564
Real estate inventory collateral liability		**(68,787)**		(69,008)
Real Estate Inventory, net of collateral liability	**$**	**92,845**	**$**	**92,556**

Land inventory

As at March 31, 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 properties inventory

As at March 31, 2024, the Company has real estate properties inventory of $131.0 million (December 31, 2023 – $131.0 million), which is recorded at the lower of cost and net realizable value less costs to sell. The Company's real estate inventory collateral liability is $68.8 million (December 31, 2023 – $69.0 million), The Company's real estate properties inventory, net of collateral liability, is $62.2 million (December 31, 2023 – $62.0 million).

Credit facility

As at		March 31, 2024		December 31, 2023
Credit facility	$	**295,000**	$	260,000
Unamortized financing costs		**(1,464)**		(296)
Credit facility, end of period	$	**293,536**	$	259,704

As of March 31, 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 March 31, 2024, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the existing credit agreement is $422.0 million.

During Q1 2024, the Company incurred deferred financing costs of $1.6 million (Q1 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 March 31, 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	March 31, 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**	$ 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							**(4,798)**	(5,155)
Debentures, end of period							**$ 141,202**	$ 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 June 2017 Debentures are redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to prevailing market price at the date of redemption.

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

July 2021 Debentures

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

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

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

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

December 2021 Debentures

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

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

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

SHAREHOLDERS' EQUITY

Common shares

The Company is authorized to issue an unlimited number of common shares. Holders of common shares are entitled to receive notice 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 March 31,	
	2024	**2023**
Balance, beginning of period	**83,009,516**	83,887,516
Common shares issued under dividend reinvestment plan	**197,555**	181,710
Common shares repurchased for dividend reinvestment plan	**(197,555)**	(181,710)
Common shares repurchased under normal course issuer bid	**—**	(112,500)
Balance, end of period	**83,009,516**	83,775,016

(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 Q1 2024 and Q1 2023, the Company did not issue any common shares under the ATM program,

(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 Q1 2024, the Company purchased from the open market 197,555 common shares (Q1 2023 – 181,710) for a total amount of $1.4 million (Q1 2023 – $1.5 million). During Q1 2024, common shares were purchased from the open market at an average price of $7.30 per common share (Q1 2023 - $7.98).

During Q1 2024, the Company did not issue common shares from treasury (Q1 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 Q1 2024, the Company declared regular dividends of $14.3 million or $0.17 per share (Q1 2023 – $14.5 million or $0.17 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 March 31, 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 March 31, 2024, the Board of Directors of the Company declared dividends of $0.0575 per share to be paid on April 15, 2024 to the common shareholders of record on March 28, 2024.

(d) Normal course offering 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 the Company's renewal of the NCIB to repurchase for cancellation up to 8,305,467 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on May 26, 2023 and continue until May 25, 2024 upon expiry.

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

During Q1 2024, the Company did not repurchase any common shares (Q1 2023 – 112,500 for $0.8 million). The average price per common share repurchased in Q1 2023 was $7.52.

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

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

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

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

During Q1 2024, 11,711 units were issued (Q1 2023 – 9,812) and as at March 31, 2024, 149,771 units were outstanding (December 31, 2023 – 138,059). During Q1 2024, no DSUs were exercised (Q1 2023 – nil).

DSU expense for Q1 2024 was $103 (Q1 2023 – $96). The units related to Q1 Director's compensation will be issued subsequent to March 31, 2024.

STATEMENT OF CASH FLOWS

Cash from operating activities

Cash from operating activities for Q1 2024 was $15.0 million (Q1 2023 – $24.8 million).

Cash from (used in) financing activities

The net cash from financing activities for Q1 2024 was $9.7 million (net cash used in Q1 2023– $88.2 million).

During the quarter, cash from financing activities for Q1 2024 consisted of net draws on the credit facility of $35.0 million (Q1 2023 – $64.0 million net repayments). The Company paid interest on the debentures and credit facility of $6.2 million (Q1 2023 – $8.9 million). The Company paid common share dividends of $17.7 million (Q1 2023 – $13.0 million). The Company repurchased shares on the open market under the NCIB and DRIP programs of $1.4 million (Q1 2023 – $2.3 million).

Cash from (used in) investing activities

The net cash used in investing activities was $23.6 million for Q1 2024 (net cash received in Q1 2023 – $61.9 million).

During the quarter, net cash used in investing activities for Q1 2024 consisted of the Company's funding of net mortgage investments of $194.5 million (Q1 2023 – funding of $72.8 million). The Company received cash from discharge of net mortgage investments of $171.1 million (Q1 2023 – received cash of $121.5 million). The Company funded other investments of nil (Q1 2023 – funded $0.8 million). The Company received cash from repayments of other investments $31 (Q1 2023 – received cash of $14.6 million). The Company paid cash on maturity of currency forward hedging contracts of $274 (Q1 2023 – paid cash of $0.6 million).

QUARTERLY FINANCIAL INFORMATION

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

NET INCOME AND COMPREHENSIVE INCOME	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Net Investment Income on financial assets measured at amortized cost	**$24,590**	$29,722	$30,303	$31,471	$32,709	$31,342	$29,982	$25,802
Fair value gain and other income on financial assets measured at FVTPL	**337**	463	231	306	282	736	403	352
Fair value gain (loss) on real estate properties	**—**	—	—	—	63	82	—	(378)
Net rental income (loss)	**474**	327	(270)	(293)	(359)	(278)	(291)	36
Expenses	**(4,498)**	(5,443)	(4,115)	(5,139)	(4,443)	(6,671)	(7,530)	(4,150)
Income from operations	**20,903**	25,069	26,149	26,345	28,252	25,211	22,564	21,662
Financing costs:								
Financing cost on credit facility	**(4,285)**	(7,846)	(7,444)	(7,208)	(7,898)	(8,137)	(6,788)	(4,749)
Financing cost on debentures	**(2,250)**	(2,249)	(2,250)	(2,249)	(2,250)	(2,260)	(2,256)	(2,233)
Net income and comprehensive income	**14,368**	$14,974	$16,455	$16,888	$18,104	$14,814	$13,520	$14,680
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME								
Net income and comprehensive income	**$14,368**	$14,974	$16,455	$16,888	$18,104	$14,814	$13,520	$14,680
Add: net unrealized (gain) loss on financial assets measured at FVTPL	**(166)**	(292)	(61)	68	(57)	(122)	369	377
Add: net unrealized loss on real estate properties	**—**	—	—	—	—	—	—	95
Adjusted net income and comprehensive income[1]	**$14,202**	$14,681	$16,394,	$16,956	$18,047	$14,692	$13,889	$15,152
PER SHARE INFORMATION								
Dividends per share	**$ 0.17**	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17
Earnings per share (basic)	**$ 0.17**	$ 0.18	$ 0.20	$ 0.20	$ 0.22	$ 0.18	$ 0.16	$ 0.17
Earnings per share (diluted)	**$ 0.17**	$ 0.18	$ 0.19	$ 0.20	$ 0.21	$ 0.18	$ 0.16	$ 0.17
Adjusted earnings per share (basic)[1]	**$ 0.17**	$ 0.18	$ 0.20	$ 0.20	$ 0.21	$ 0.17	$ 0.17	$ 0.18
Adjusted earnings per share (diluted)[1]	**$ 0.17**	$ 0.18	$ 0.19	$ 0.20	$ 0.21	$ 0.17	$ 0.17	$ 0.18
Distributable income per share[1]	**$ 0.19**	$ 0.21	$ 0.20	$ 0.21	$ 0.22	$ 0.22	$ 0.20	$ 0.19

[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 March 31, 2024, Due to Manager consists of management and servicing fees payable of $0.9 million (December 31, 2023 – $1.0 million).

(b) During three months ended March 31, 2024, Arrangement Fees of nil paid by borrower were retained by the Manager (Q1 2023 – $169).

(c) As at March 31, 2024, included in other assets is $2.8 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 March 31, 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 March 31, 2024, 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 $48.8 million (December 31, 2023 – $48.8 million). The Company's share of the commitment is $8.8 million (December 31, 2023 – $4.4 million). For the three months ended March 31, 2024, the Company has recognized net interest income of $265 (Q1 2023 – $184).

(f) As at March 31, 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 $35.5 million (December 31, 2023 – $34.6 million). The Company's share in these mortgage investments is $10.5 million (December 31, 2023 – $10.3 million).

(g) As at March 31, 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 $4.5 million or €3.1 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 March 31, 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 1 mortgage (December 31, 2023 – 1) totaling $23.0 million (December 31, 2023 – $22.8 million). The Company's share in this mortgage investment is $11.5 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 March 31, 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 17 – Fair value measurements.

Measurement of expected credit loss

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

Syndication liabilities

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

Classification of mortgage and other loan investments

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

Net realizable value of real estate inventory

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

MATERIAL ACCOUNTING POLICIES

The 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 May 6, 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 March 31, 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.

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 March 31, 2024, the Company's qualified credit facility limit is subject to a borrowing base as defined in the Third ARCA, which is $422.0 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 March 31, 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 March 31, 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	$ 6,416	$ 6,416	$ 6,416	$ —	$ —	$ —
Dividends payable	4,742	4,742	4,742	—	—	—
Due to Manager	871	871	871	—	—	—
Mortgage and other loans funding holdbacks	1,881	1,881	1,881	—	—	—
Prepaid mortgage and other loans interest	958	958	958	—	—	—
Credit facility[1]	293,536	336,401	22,255	314,146	—	—
Real estate inventory collateral liability	68,787	68,787	68,787	—	—	—
Convertible debentures[2]	141,202	170,035	50,784	5,188	114,063	—
	$ 518,393	$ 590,091	$ 156,694	$ 319,334	$ 114,063	$ —
Unadvanced mortgage commitments[3]	—	385,488	385,488	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities[4]	$ 518,393	$ 975,579	$ 542,182	$ 319,334	$ 114,063	$ —

[1] Credit facility includes interest based upon March 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 June 30, 2024, July 31, 2028 and December 31, 2028.
[3] Unadvanced mortgage commitments include syndication commitments of which $224.4 million belong to the Company's syndicated partners.
[4] The principal repayments of $502.6 million mortgage syndication liabilities by contractual maturity date are shown net with mortgage investments.

As at March 31, 2024, the Company had a cash position of $5.9 million (December 31, 2023 – $4.8 million) and an unutilized credit facility balance of $127.0 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 March 31, 2024, $939.0 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 March 31, 2024, $828.6 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 $3.0 million (December 31, 2023 – 0.50% and $3.3 million) or an increase in net income of $4.4 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 March 31, 2024, net exposure to interest rate risk was $295.0 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 March 31, 2024, the Company has US$7.6 million and €3.1 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 March 31, 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 1.3547, that matured in April 2024. The Company also has one Euro currency contract with an aggregate notional value of €3.0 million at a contract rate of 1.4754, that matures in June 2024.

The fair value of the foreign currency forward contracts as at March 31, 2024 is an asset of $40 which is included in other assets. The valuation of the foreign currency forward contracts was computed using Level 2 inputs which include spot and forward foreign exchange rates.

Credit risk

Credit risk is the risk that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

i. adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
ii. ensuring all new mortgage and other investments are approved by the Investment Committee before funding; and
iii. actively monitoring the mortgage and other investments and initiating recovery procedures, in a timely manner, where required.

The exposure to credit risk at March 31, 2024 relating to net mortgages and other investments amount to $1,054.7 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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