Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the year ended December 31, 2022

TIMBERCREEK
FINANCIAL

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

The terms, the “Company”, “we”, “us” and “our” in the following Management Discussion & Analysis (“MD&A”) refer to Timbercreek Financial Corp. (the “Company” or “Timbercreek Financial”). This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like “believe”, “expects”, “anticipates”, “would”, “will”, “intends”, “projected”, “in our opinion” and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by Timbercreek Capital Inc. (“Manager”), a subsidiary to Timbercreek Asset Management Inc.("TAMI"), (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages and other investments of a quality that will generate returns that meet and/or exceed the Company’s targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in, geopolitical uncertainty, impacts as a result of COVID-19, 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.sedar.com.

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

This MD&A is dated February 22, 2023. 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.sedar.com.

BUSINESS OVERVIEW

Timbercreek Financial is a leading non-bank lender providing financing solutions to qualified real estate investors who are generally in a transitional phase of the investment process.

Timbercreek Financial fulfills a financing requirement that is not well serviced by the commercial banks: primarily shorter duration, structured financing. Real estate investors typically use short-term mortgages to bridge a period (generally one to five years) during which they conduct property repairs, redevelop the property or purchase another investment. These short-term "bridge" mortgages are typically repaid with traditional bank mortgages (lower cost and longer-term debt) once the transitional period is over, a restructuring is complete or from proceeds generated on the sale of assets. Timbercreek Financial focuses primarily on lending against income-producing real estate such as multi-residential, retail and office properties. This emphasis on cash-flowing properties is an important risk management strategy.

Timbercreek Financial, through its Manager, has established preferred lender status with many active real estate investors by providing quick execution on investment opportunities and by providing flexible terms to borrowers. Timbercreek Financial works with borrowers throughout the terms of their mortgages to ensure that their capital requirements are met and, if requested, considers modifications of or extensions to the terms of their mortgages to accommodate additional opportunities that may arise or changes that may occur.

The Company is, and intends to continue to be, qualified as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the Income Tax Act (Canada) ("ITA").

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three months and year ended December 31, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 2021, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

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

NON-IFRS MEASURES

The Company prepares and releases consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures").

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 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 allowance for mortgage investments 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. For construction/redevelopment mortgage investments, fair value is based on an "as completed" basis. For unimproved land property, fair value is based on an "as is" basis. Net mortgage investments measured at fair value through profit or loss ("FVTPL") are excluded from weighted average loan-to-value computation. This is a key measure to explain period to period performance variances of net mortgage investments.

iii. Turnover ratio – represents total net mortgage investments repayments 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), 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 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 allowance for mortgage investments loss, which are not representative of current year operating performance. Distributable income is a non-IFRS financial measure of cash flows based on the definition set forth by the Company.

Distributable income is computed as IFRS consolidated net income, adjusted for the earlier mentioned items, calculated on an IFRS basis. The Company uses Distributable Income in assessing 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, allowance for mortgage investments loss, and unrealized gain or loss from total net income and comprehensive income.

ii. Distributable income per share – represents the total distributable income divided by the weighted average common shares outstanding for the stated period.

iii. Payout ratio on distributable income – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.

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

v. Adjusted distributable income – represents distributable income adjusted for the impact of a realized gain/(loss) on an investment measured at FVTPL as well as non-recurring foreign currency gains on other investment.

vi. Adjusted distributable income per share – represents the total adjusted distributable income divided by the weighted average common shares outstanding for the stated period.

vii. Payout ratio on adjusted distributable income – represents total common share dividends paid and declared for payment, divided by adjusted distributable income for the stated period.

viii. Adjusted net income and comprehensive income – represents adjusted net income and comprehensive income for the stated period to exclude the impact from unrealized fair value (gain)/loss on financial assets measured at FVTPL and on derivative contracts (interest rate swap) used for hedging purposes but hedge accounting was not adopted. The fair value loss on financial assets represents the change in unrealized loss determined based on the fair value that the Company determined using its valuation policies on the financial assets. The fair value (gain)/loss on the interest rate swap contract represents the change in unrealized appreciation or depreciation of fair value of the interest rate swap, determined based on the fair value that the Company would pay or receive if the interest rate swap had been terminated as at the reporting date.

ix. Adjusted earnings per share – adjusted earnings per share is calculated in the same manner as earnings per share using adjusted net income and comprehensive income for the stated period.

x. Payout ratio on adjusted earnings per share – represents total common share dividends paid and declared for payment, divided by adjusted net income and comprehensive income for the stated period.

RECENT DEVELOPMENTS AND OUTLOOK

The Company is pleased to report strong Q4 2022 distributable income of $18.4 million or $0.22 per share, representing a payout ratio of 78.7%. This attractive payout ratio reflects a higher year-end portfolio balance (net mortgage investments of $1,195.8 million), and substantially more interest income being generated as a result of increases in the Bank of Canada prime rate during the year (100 basis points in Q4, 400 basis points total in 2022). It also reflects Management's intent to focus on increasing the Company's book value after disposing and restructuring some assets measured at FVTPL and enhanced return investments during 2022 which were deemed non-core and were not accretive to the financial results.

The fourth quarter saw net new mortgage fundings of $138.6 million, and advances on existing mortgages of $13.1 million, offset by net mortgage repayments of $211.4 million and net syndications of $2.7 million. Mortgage repayment activity resumed in the fourth quarter as expected after muted activity in Q2 and Q3, and as a result, portfolio turnover increased to 17.2% compared with 3.3% in Q3 2022.

Overall, the Company’s portfolio continued to perform well in the fourth quarter. In keeping with the rhythm of the business, two loans moved from Stage I to Stage III and one mortgage investment moved from Stage II to Stage III, which resulted in a loan loss provision increase of $2.8 million from the prior quarter. The two loans that moved to Stage III from Stage I, aggregating to $72.4 million are part of a portfolio of assets owned by a sponsor group that filed for CCAA in Q4 2022. Both assets are attractively located in Montreal – one is an income producing high-end senior living facility and the other is a conventional multi-family apartment building that is senior under construction. The Manager’s asset management team is actively pursuing a multi-pronged strategy to preserve our secured investments and remains optimistic on the outcome. The other mortgage that moved into Stage III is a suburban medical office building in Ottawa where the Sponsor’s re-leasing and development plans are behind schedule. Management is pursuing an active asset management strategy in this instance as well.

The Company continues to have ample liquidity, though available capacity on its credit facilities. Additionally, the Company was active in Q4 on its normal course issuer bid ("NCIB"), repurchasing 107,500 common shares at an average price of $7.20 per share.

Looking out to 2023 and in consideration of commentary from the Bank of Canada following the latest 25 basis point increase in January, Management is of the view that the pace of monetary policy tightening will slow or stop in the remainder of the year. This should result in the Company's interest income continuing to see a net benefit from the previous interest rate increases in 2022. With the stabilization of rates, we also expect an increase in underlying real estate transactions, which will result more normal portfolio turnover. The Company remains focused on its key strengths when originating new loans, concentrating on urban locations, and providing financing to strong sponsors who are executing on value-add strategies to improve income producing properties.

PORTFOLIO ACTIVITY

In Q4 2022 the Company funded 7 new net mortgage investments totaling $138.6 million and made additional advances of $13.1 million . The portfolio reverted to a more typical scenario, where turnover increased to 17.2% (with fully discharged and partially discharged net mortgage investments totaling $211.4 million), compared with 3.3% in Q3 2022. The rising interest rate environment in Q2 and Q3 resulted in muted transaction volume as buyers and sellers went through a price discovery exercise. Including syndications of $2.7 million, total discharges were $231.2 million. This resulted in the net value of the mortgage portfolio, excluding syndications, to be lower by $59.6 million (from $1,255.4 million in Q3 2022 to $1,195.8 million at the end of Q4 2022). The Company's credit facility had a balance of $451.0 million at the end of Q4 2022, compared to $515.0 million at the end of Q3 2022. With $103.5 million available on the credit facility, Timbercreek Financial continues to be in a strong liquidity position entering Q1 2023.

At the end of Q4 2022, 87.4% of the mortgage investments were secured by income-producing properties, compared to 89.3% in Q3 2022, the decrease resulting from a condo inventory loan which was advanced in the quarter. The Company expects that this ratio will revert to its longer-term average around 90% as the year progresses, as a result of normal course syndication activities. Multi-residential real estate assets (apartment buildings) continue to comprise the largest portion of the portfolio at 52.5% at quarter end, compared to 55.4% in Q3 2022.

The Company's exposure to first mortgages was 92.4% of the net mortgage portfolio at year end. The weighted average loan-to-value ("LTV") ratio decreased from the prior quarter to 68.3% compared to 69.4% in the prior quarter - mainly as a result of newly funded loans being done at a weighted-average LTV of 45.4% during the quarter. Our weighted average interest rate for the period was 9.7% in Q4 2022 with an exit rate of 10.0% as at December 31, 2022, higher than the 9.2% exit rate at September 30, 2022. The change is due primarily to additional rate increases in Q4, partially offset by lower average rates on new originations in Q4 2022 due to lower LTVs on these loans. The interest rate change reflects the two 50 basis point rate increases that the Bank of Canada implemented in October and December of this year. These two rate hikes materially increased top line interest income, which was partially offset by a corresponding increase in cost on the Company's revolving credit facility. As noted above, the Company continues to generate a sustained distributable income ratio well within management's target range which allows for optionality looking forward.

The Company's mortgage portfolio remains heavily weighted toward Canada's largest provinces, with approximately 95.7% of its capital invested in Ontario, British Columbia, Quebec and Alberta, where it is focused on urban markets that generally experience better real estate liquidity and thus offer a better risk profile.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL POSITION INFORMATION	December 31, 2022	December 31, 2021	December 31, 2020
Net mortgage investments[1]	**$ 1,195,809**	$ 1,159,634	$ 1,143,121
Enhanced Return Portfolio[1]	**$ 72,945**	$ 84,603	$ 91,640
CAPITAL STRUCTURE			
Total assets	**$ 1,916,039**	$ 1,732,064	$ 1,711,462
Total liabilities	**$ 1,217,496**	$ 1,047,481	$ 1,026,412
Shareholders' equity	**$ 698,543**	$ 684,583	$ 685,050
Book value per share	**$ 8.33**	$ 8.33	$ 8.47
Convertible debentures, par	**$ 146,000**	$ 146,000	$ 91,000
Credit facility (investment properties)	**$ —**	$ 30,690	$ 30,656
Credit facility (mortgage investments)	**$ 450,347**	$ 419,179	$ 458,299
Total debentures and credit facility utilized	**$ 596,347**	$ 595,869	$ 579,955
Maximum credit limit available	**$ 700,528**	$ 711,690	$ 656,690
Credit utilization rate	**85.1 %**	83.7 %	88.3 %
COMMON SHARE INFORMATION			
Number of common shares outstanding	**83,887,516**	82,219,602	80,887,433
Closing trading price	**$ 7.11**	$ 9.61	$ 8.65
Market capitalization	**$ 596,440**	$ 790,130	$ 699,676

1. Refer to non-IFRS measures section.

OPERATING RESULTS[1]

	Three months ended December 31,		Year ended December 31,		
NET INCOME AND COMPREHENSIVE INCOME	**2022**	2021	**2022**	2021	2020
Net Investment Income on financial assets measured at amortized cost	**$ 31,342**	$ 22,378	**$109,803**	$ 90,249	$ 95,940
Total fair value gain (loss) and other income on financial assets measured at FVTPL	**$ 736**	$ (7,404)	**$ 1,388**	$(10,291)	$(16,778)
Net rental (loss) income	**$ (278)**	$ 389	**$ (151)**	$ 1,499	$ 1,453
Total fair value gain (loss) on real estate properties	**$ 82**	$ (4,374)	**$ (296)**	$ (4,374)	$ —
Expenses	**$ 6,671**	$ 3,761	**$ 22,592**	$ 16,237	$ 18,024
Income from operations	**$ 25,211**	$ 7,228	**$ 88,152**	$ 60,846	$ 62,591
Financing costs:					
Financing cost on credit facilities	**$ 8,137**	$ 4,045	**$ 23,234**	$ 16,734	$ 18,025
Financing cost on convertible debentures	**$ 2,260**	$ 1,767	**$ 9,022**	$ 6,745	$ 8,624
Fair value (gain) loss on derivative contract	**$ —**	$ (994)	**$ —**	$ (3,940)	$ 3,940
Net income and comprehensive income	**$ 14,814**	$ 2,410	**$ 55,896**	$ 41,307	$ 32,002
Payout ratio on earnings per share	**97.7 %**	587.6 %	**103.3 %**	135.9 %	176.4 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME					
Net income and comprehensive income	**$ 14,814**	$ 2,410	**$ 55,896**	$ 41,307	$ 32,002
Less: Fair value gain on derivative contract (interest rate swap)	**$ —**	$ (994)	**$ —**	$ (3,940)	$ 3,940
Add: Net unrealized (gain) loss on financial assets measured at FVTPL	**$ (122)**	$ 8,237	**$ 1,546**	$ 13,748	$ 18,949
Add: Net unrealized loss on real estate properties	**$ —**	$ 4,374	**$ 95**	$ 4,374	$ —
Adjusted net income and comprehensive income[1]	**$ 14,692**	$ 14,027	**$ 57,537**	$ 55,489	$ 54,891
Payout ratio on adjusted earnings per share[1]	**98.6 %**	100.9 %	**100.3 %**	101.2 %	102.8 %
PER SHARE INFORMATION					
Dividends declared to shareholders	**$ 14,480**	$ 14,160	**57,721**	$ 56,142	$ 56,447
Weighted average common shares (in thousands)	**83,970**	82,011	**83,622**	81,325	81,870
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.69	$ 0.69
Earnings per share (basic)	**$ 0.18**	$ 0.03	**$ 0.67**	$ 0.51	$ 0.39
Earnings per share (diluted)	**$ 0.18**	$ 0.03	**$ 0.67**	$ 0.51	$ 0.39
Adjusted earnings per share (basic)[1]	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.68	$ 0.67
Adjusted earnings per share (diluted)[1]	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.68	$ 0.67

1. Refer to non-IFRS measures section.

OPERATING RESULTS[1]

	Three months ended December 31,		Year ended December 31,	
DISTRIBUTABLE INCOME	**2022**	2021	**2022**	**2021**
Adjusted net income and comprehensive income[1]	**$ 14,692**	$ 14,027	**$ 57,537**	$ 55,489
Less: Amortization of lender fees	**(1,748)**	(2,135)	**(8,726)**	(9,275)
Add: Lender fees received and receivable	**2,056**	3,720	**7,708**	10,746
Add: Amortization of financing costs, credit facility	**262**	189	**984**	1,022
Add: Amortization of financing costs, convertible debentures	**253**	199	**1,006**	1,060
Add: Accretion expense, convertible debentures	**114**	77	**454**	323
Add: Unrealized fair value (gain) loss on DSU	**(33)**	(17)	**(201)**	104
Add: Allowance for expected credit loss	**2,800**	103	**7,482**	1,660
Distributable income[1]	**$ 18,396**	$ 16,163	**66,244**	$ 61,129
Payout ratio on distributable income[1]	**78.7 %**	87.6 %	**87.1 %**	91.8 %
ADJUSTED DISTRIBUTABLE INCOME				
Distributable income	**$ 18,396**	$ 16,163	**$ 66,244**	$ 61,129
Less: One-time distribution income	**—**	—	**—**	(707)
Adjusted Distributable income[1]	**$ 18,396**	$ 16,163	**$ 66,244**	$ 60,422
Payout ratio on adjusted distributable income[1]	**78.7 %**	87.6 %	**87.1 %**	92.9 %
PER SHARE INFORMATION				
Dividends declared to shareholders	**$ 14,480**	$ 14,160	**57,721**	$ 56,142
Weighted average common shares (in thousands)	**83,970**	82,011	**83,622**	81,325
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.69
Distributable income per share[1]	**$ 0.22**	$ 0.20	**$ 0.79**	$ 0.75
Adjusted distributable income per share[1]	**$ 0.22**	$ 0.20	**$ 0.79**	$ 0.74

1. Refer to non-IFRS measures section.

For the three months ended December 31, 2022 (“Q4 2022”) and December 31, 2021 (“Q4 2021”)

- The Company funded 7 new net mortgage investments (Q4 2021 – 17) totaling $138.6 million (Q4 2021 – $209.8 million), made additional advances on existing net mortgage investments inclusive of net syndications totaling $13.1 million (Q4 2021 – $125.8 million). New funding was mainly comprised of multi-residential and single family real estate. The weighted average interest rate on net mortgages funded was 9.0%, which has decreased from 10.0% in Q3 2022 (Q4 2021 - 6.0%) primarily as a result of new loans funded at lower rates in exchange for lower advance rates on those loans as evidenced by a corresponding decrease in the LTVs. In Q4 2022 the Company partially discharged an existing FVTPL mortgage investment which had a carrying value of $24.5 million for $19.0 million cash plus a $6.5 million vendor-take-back ("VTB") mortgage, the Company recorded the VTB at its estimated fair value of $5.5 million. The Company funded an interest reserve of $500 as part of this transaction.

- The Company fully discharged 14 net mortgage investments (Q4 2021 – 19) and partially discharged net mortgage investments totaling $211.4 million (Q4 2021 – $263.8 million). The weighted average interest rate on fully discharged net mortgage investments was 9.1%.

- The quarterly weighted average interest rate on net mortgage investments was 9.7% in Q4 2022, compared to 8.5% in Q3 2022 (Q4 2021 – 6.9%), reflecting two policy rate increases in Q4 2022 of 100 basis points in total as well as five rate increases totaling 300 basis points from Q1 2022 to Q3 2022. In Q4 2021, first mortgage positions represented 93.2% of the net mortgage investments whereas in Q4 2022 first mortgage positions represented 92.4% of the net mortgage investments. Interest rate exposure in the existing portfolio was well protected at the end of Q4 2022 with only 6.0% of the loans with fixed rate exposure (Q4 2021 – 9.8%) and floating rate loans with rate floors representing 88.5% (Q4 2021 – 84.6%). The remaining 5.4% of the portfolio is allocated to floating rate loans without floors.

- Funding of new and existing net mortgage investments of $151.7 million, offset by actual repayments and partial repayments of $211.4 million, net syndications of $2.7 million resulted in a lower net mortgage investment portfolio of $1,195.8 million, compared to $1,255.4 million at the end of Q3 2022 (Q4 2021 - $1,159.6 million).

- Turnover ratio was 17.2% for Q4 2022 compared to 23.3% in Q4 2021 due to lower funding volumes in the period.

- Other investments within the enhanced return portfolio were $72.9 million (Q4 2021 – $71.2 million), a net increase of $1.7 million year-over-year, primarily due to funding of collateralized loan investments.

- Net investment income on financial assets measured at amortized cost increased by $8.9 million from the previous year ($31.3 million in Q4 2022 compared to $22.4 million in Q4 2021), attributable to interest rate increases in the period impacting the variable rate loans as well as higher average net mortgage investments at amortized cost in Q4 2022 ($1,227.4 million in Q4 2022 compared to $1,067.6 million in Q4 2021). Quarterly amortization of lender fee of $1.7 million in Q4 2022 is lower compared to $2.1 million in Q4 2021, attributable to lower overall cash lender fee base and lower turnover ratios.

- Fair value gain and other income on financial assets measured at FVTPL increased from a loss of $7.4 million in Q4 2021 to a gain of $736 in Q4 2022, resulting primarily from the decrease in fair value loss on mortgage investments due to the exchange of two FVTPL loans for equity interest in land inventory. Additionally, in November 2022, the Company discharged the remaining mortgage investment measured at FVTPL of $24 million in exchange for cash of $19 million and a vendor-take-back mortgage classified at FVTPL, with a contractual value of $6.5 million and estimated fair value of $5.5 million. The Company funded an interest reserve of $500 as part of this transaction.The Company continues to measure the retained vendor-take-back portion using the direct comparison method, comparing the assets to directly comparable lands and has not recorded any further adjustments as at December 31, 2022.

- Net rental loss from real estate properties was $278 (Q4 2021 – income of $389) for the quarter, a decline largely explained by the disposition of a portfolio of multi-family residential assets on April 28, 2022. Additionally, on April 12, 2022, the Company converted its investment in a mortgage at FVTPL to an equity interest in the underlying real estate properties. The Company intends on selling the land and has accordingly recorded this as land inventory, with rental income of $88, offset by operating losses of $366. Fair value loss on investment properties was $296 in Q4 2022 versus $4.4 million in Q4 2021. In the prior year, a fair value loss was recorded on investment properties in anticipation of a sale which closed in April 2022.

- Expenses for the period include:

    - General and administrative expenses of $608 for Q4 2022 (Q4 2021 – $484). Excluding a foreign exchange loss of $211, general and administrative expenses were $397 for the quarter, representing a decrease of $106 over the prior year due to lower costs associated with marketing and annual general meeting costs.

    - Provisions for mortgage investment losses of $2.8 million for Q4 2022 (Q4 2021 - $103) representing an increase in loan loss provisions related primarily to three loans which have been moved into Stage III in the quarter. The loan loss provisions are an approximation of losses on the Stage III loans and include forward looking interest on the loans until the anticipated exit/resolution date of the loan.

- Income from operations saw a $17.9 million increase over the prior year ($25.1 million in Q4 2022 compared to $7.2 million in Q4 2021) largely driven by higher net investment income on financial assets measured at amortized cost of $8.9 million as noted above, higher fair value gain and other income on financial assets measured at FVTPL of $8.1 million, a gain on fair value of real estate properties of $4.4 million, offset by higher provisions for mortgage investment losses of $2.7 million over the prior year period, and a decline of $0.7 million on net rental income from real estate properties due largely to the sale of the investment property portfolio in Q2 2022.

- During Q4 2022, the Company incurred interest on the credit facility – mortgage investments of $7.9 million (Q4 2021 – $2.7 million). Q4 2021 included an unrealized fair value gain of $1.0 million, after adjusting for this gain, interest on the credit facility was approximately $3.7 million. The increase over prior year is due to a higher utilization of the credit facility in the current year as well as rising interest rates period over period. Financing costs amortization for the quarter was $262 (Q4 2021 – $177), the increase over the prior year is due to an extension made on the facility in Q1 2022.

- During Q4 2022, interest on the credit facility investment properties was nil (Q4 2021 – $183) and financing costs amortization of nil (Q4 2021 – $12). On April 28, 2022 and prior to maturity, the credit facility investment properties was assumed by a third party and the Company no longer has any obligations associated with the facility aside from a guarantee for its former share of $30.7 million.

- Interest on the convertible debentures for the quarter was $1.9 million (Q4 2021 - $1.5 million) reflecting three series of debentures outstanding in the current year versus two in the prior.

- The Company generated net income and comprehensive income of $14.8 million (Q4 2021 - $2.4 million) or basic and diluted earnings per share of $0.18 (Q4 2021 - $0.03), representing a payout ratio on earnings per share of 97.7% (Q4 2021 - 587.6%) and payout ratio on adjusted earnings per share of 98.6% (Q4 2021 - 100.9%). The results were significantly improved over the prior year period as a result of higher top-line interest income as well as lower losses on financial assets measured at FVTPL and real estate properties.

- After adjusting for the unrealized fair value gain from financial assets measured at FVTPL of $122 (Q4 2021 – loss of $8.2 million), and unrealized losses on real estate properties of $nil (Q4 2021 - $4.4 million) the Company generated adjusted net income and comprehensive income of $14.7 million (Q4 2021 – $14.0 million) or basic and diluted adjusted earnings per share of $0.17 (Q4 2021 – basic and diluted of $0.17). The Company declared $14.5 million in dividends to common shareholders (Q4 2021 – $14.2 million), representing a payout ratio of 98.6% (Q4 2021 – 100.9%) on an adjusted earnings per share basis.

- Non-refundable lender fees recorded were $2.1 million (Q4 2021 – $3.7 million), non-refundable lender fees are less than prior year due to lower originations in the period, $138.6 million in Q4 2022 versus 209.8 million in Q4 2021, partially offset by a higher non-refundable lender fee rate this quarter. The quarterly weighted average lender fees on new and renewed mortgages was 1.2% during the quarter (Q4 2021 – 0.9%), while the quarterly weighted average lender fee on new mortgages only was 1.4% (Q4 2021 – 1.3%).

- The Company generated distributable income and adjusted distributable income of $18.4 million (Q4 2021 - $ $16.2 million) or distributable income and adjusted distributable income per share of $0.22 (Q4 2021 - $0.20) representing a payout ratio of 78.7% (Q4 2021 - 87.6%) for the quarter.

- In September the Company resumed its Normal-Course Issuer Bid program ("NCIB") to repurchase shares. During Q4 the Company repurchased 107,500 common shares for cancellation at an average price of $7.20 per share.

- The Company paused its at-the-market equity program ("ATM") in Q3 2022 due to a depressed stock price as the broader equity market declined. Under the program the Company is allowed to issue common shares from treasury of up to $90 million prior to July 11, 2023. The Company may reconsider using its ATM program during the remaining allotted 24-month period. During 2022 the Company issued a nominal amount of shares prior to pausing its ATM program.

For the years ended December 31, 2022 ("2022") and December 31, 2021 ("2021")

- The Company funded 48 new net mortgage investments (2021 – 49) totaling $559.1 million (2021 – $487.3 million), made additional advances on existing net mortgage investments totaling $77.6 million (2021 – $279.0 million) and fully discharged 44 net mortgage investments (2021 – 56) and partially discharged net mortgage investments totaling $473.1 million (2021 – $736.2 million). The Company syndicated $93.7 million of its mortgage investments. In Q2 2022, it exchanged two of its FVTPL mortgage investments of $30.0 million for an equity interest in the underlying real estate of one of the mortgages and in Q4 2022 it partially discharged an existing FVTPL mortgage investment which had a carrying value of $24.5 million for $19.0 million cash plus a $6.5 million vendor-take-back mortgage. The Company funded an interest reserve of $500 as part of this transaction. As a result, the net mortgage investment portfolio as at December 31, 2022 increased by $36.0 million, to $1,195.8 million (December 31, 2021 – $1,159.6 million), or a 3.1% increase from December 31, 2021.

- Weighted average loan-to-value decreased from 70.1% as at December 31, 2021 to 68.3% as at December 31, 2022. The decrease is primarily due to new mortgage originations at LTVs below the average.

- Other investments within the enhanced return portfolio were $72.9 million, including an allowance for credit loss of $0.7 million (December 31, 2021 – $71.2 million and $0.9 million, respectively).

- Net mortgage investments of $1,195.8 million bore a weighted average interest rate of 10.0% as at December 31, 2022 (December 31, 2021 – $1,159.6 million, 6.8%), an increase year-over-year resulting primarily from interest rate increases of 400 basis points since March 2022 and substantially all loans coming up through their interest rate floors. Weighted average interest rate in the existing net mortgage portfolio is well protected at the end of Q4 2022 with only 6.0% of the portfolio at fixed interest rate (December 31, 2021 – 9.8%) and floating interest rate loans with rate floors representing 88.5% of the portfolio (December 31, 2021 – 84.6%).

- Net investment income on financial assets measured at amortized cost was $109.8 million (2021 – $90.2 million), an increase of $19.6 million, or 21.7% from 2021. The increase in net investment income for 2022, as compared to 2021 was primarily due to higher average net mortgage investments through the year as well as the 400 basis point interest rate increase since March 2022. Annual amortization of lender fee of $8.7 million in 2022 is lower compared to $9.3 million in 2021, primarily attributable to lower turnover.

- Fair value gain and other income on financial assets measured at FVTPL was higher in 2022, from a net loss of $10.3 million in 2021 to a net gain of $1.4 million in 2022 resulting primarily from the disposition of the FVTPL assets. On April 12, 2022 the Company converted its investment in a mortgage at FVTPL to an equity interest in real estate properties, as well as a partial disposition of a FVTPL asset in Q4 2022, both of which are discussed below.

- Net rental loss from real estate properties was $151 (2021 – income of $1.5 million), a decline largely explained by the disposition of a portfolio of multi-family residential assets on April 28, 2022. Additionally, on April 12, 2022, the Company converted its investment in two mortgages at FVTPL to an equity interest in the underlying real estate properties of one of the mortgages. The Company intends on selling the land and has accordingly recorded this as land inventory, with rental income of $88, offset by operating losses of $296. Fair value loss on real estate properties was $296 in 2022 (2021 – $4.4 million) due to a loss on disposal of the multi-family investment property portfolio as well as the loss on land inventory which did not exist in the prior year.

- Expenses for the year include:
    - General and Administrative expenses of $2.1 million (2021 – $1.8 million), after adjusting for the impact of DSU mark-to-market gains of $201 and foreign exchange losses of $144, general and administrative expenses increased by $70 in the year largely due to professional costs associated with the at-the-market equity issuance program, and inflation impact on professional costs.
    - Provisions for mortgage investment losses were $7.5 million (2021 - $1.7 million) representing an increase in loan loss provisions related primarily to three loans which have been moved into Stage III in the year. The loan loss provisions are recorded on Stage III loans to reduce the carrying value of those loans to the expected recoverable amount which includes the interest not yet earned and is not expected to be collected between the reporting date and the anticipated exit/resolution date of the loan.
- The Company generated income from operations of $88.4 million (2021 – $60.8 million). This is an increase of $27.6 million or 45.4% from 2021 driven by the factors noted above.
- In 2022 the Company incurred interest on the credit facility - mortgage investments of $22.0 million (2021 – $11.0 million), prior year included a realized gain on the derivative contract of $3.9 million. After adjusting for the gain, financing costs on the credit facility in 2021 were $14.9 million, the increase in financing costs year-over-year is primarily due to the increased interest rates in the period as well as high utilization on the credit facility. Financing costs amortization for the year was $1.0 million (2021 – $1.0 million).
- For the 2022, interest on the credit facility - investment properties was $253 (2021 – $0.8 million) and financing costs amortization of $17 (2021 – $54). On April 28, 2022 and prior to maturity, credit facility - investment properties was assumed by a third party and the Company no longer has any obligations associated with the facility aside from a guarantee for its former share of $30.7 million.
- Interest on the convertible debentures for 2022 was $7.6 million (2021 – $5.4 million), reflecting the fact that there are three series of convertible debentures outstanding in the current year for the full year versus two outstanding for the full year in the prior year comparative period with third series being issued in December 2021.
- The Company generated net income and comprehensive income of $56.3 million (2021 - $41.3 million) or basic and diluted earnings per share of $0.67 (2021 - $0.51), representing a payout ratio on earnings per share of 102.5% (2021 - 135.9%) and payout ratio on adjusted earnings per share of 99.1% (2021 - 101.2%). The results were significantly improved over the prior year period as a result of higher top-line interest income as well as lower losses on financial assets measured at FVTPL.
- Excluding the $1.5 million fair value loss on financial assets carried at FVTPL, unrealized fair value losses on real estate properties of $95.0, the Company generated adjusted net income and comprehensive income of $57.5 million (2021 – $55.5 million) or basic and diluted adjusted earnings per share of $0.69 (2021 – basic and diluted of $0.68). The Company declared $57.7 million in dividends (2021 – $56.1 million) to common shareholders, representing a payout ratio of 100.3% (2021 – 101.2%) on an adjusted earnings per share basis.
- Non-refundable lender fees recorded were $7.7 million (2021 – $10.7 million). Lower lender fees are attributable to decreased originations from low turnover, partially offset by higher lender fee rates. The overall weighted average lender fee on new and renewed mortgages during the year was 1.1% (2021 – 0.8%), while the weighted average lender fee on only new mortgages 2022 was 1.2% (2021 – 1.1%).

- The Company generated distributable income of $66.2 million (2021 – $61.1 million) or distributable income per share of $0.79 (2021 – $0.75). Adjusted distributable income was $66.2 million (2021 – $60.4 million) or adjusted distributable income per share of $0.79 (2021 – $0.74), representing a payout ratio of 87.1% (2021 – 92.9%) on an adjusted distributable income basis.
- On May 24, 2022, the Company announced that the TSX approved its Normal Course Issuer's Bid ("NCIB") to repurchase for cancellation up to 10% of public float over a 12-month period. In 2022 the Company repurchased 117,500 (2021 - nil) for $846 at an average price of $7.20 per share.
- The Company has paused its ATM program in Q3 2022 due to depressed stock price. Under the program, the Company is allowed to issue common shares from treasury for up to $90.0 million prior to July 11, 2023. The Company may reconsider activating its ATM program during the remainder of the allotted 24-month period. During 2022 the Company has issued 1,504,300 (2021 - 852,100) common shares for gross proceeds of $14.3 million (2021 - $8.2 million) at an average price of $9.52 (2021 – $9.67) per common share.

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Net investment income on financial assets measured at amortized cost

For analysis purposes, net investment 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.

For Q4 2022 and 2022, the Company earned net investment income on financial assets measured at amortized cost of $31.3 million and $109.8 million (Q4 2021 – $22.4 million; 2021 – $90.2 million). Net investment income includes the following:

a. Interest income

During Q4 2022 and 2022, the Company earned interest income on mortgages at amortized cost of $28.9 million and $96.0 million (Q4 2021 – $18.7 million; 2021 – $75.7 million). The weighted average interest rate on net mortgage investments during Q4 2022 and 2022 was 9.7% and 8.1%, respectively (Q4 2021 – 6.9%; 2021 – 7.1%). The increase in interest income for the quarter and for the year was due to rate increases throughout the year and as well as higher weighted-average net mortgage investments for over both periods.

During Q4 2022 and 2022, the Company earned $1.1 million and $5.3 million (Q4 2021 – $1.5 million; 2021 – $5.2 million) of interest income on collateralized loans in other investments in the enhanced return portfolio. The increased interest income for the quarter is a result of higher weighted average interest rates due to rate increases in 2022 offset by a lower collateralized loan portfolio.

b. Lender fee income

For Q4 2022 and 2022, the Company recorded non-refundable upfront lender fees of $2.1 million and $7.7 million (Q4 2021 – $3.7 million; 2021 – $10.7 million), or a weighted average lender fee on new and renewed mortgages of 1.2% and 1.1%, respectively (Q4 2021 – 0.9%; 2021 – 0.8%). Upfront lender fees for Q4 2022 included the recognition of a previously deferred lender fee of $0.7 million. Lower lender fees are primarily driven by lower turnover and origination volume in 2022. Lender fees are received upfront and are amortized to income over the life of the respective loan, using the effective interest rate method. For Q4 2022 and 2022, lender fees of $1.7 million and $8.7 million were amortized to lender fee income (Q4 2021 – $4.8 million; 2021 – $9.3 million).

c. Other income/loss

During Q4 2022 and 2022, the Company recognized other income of $177 and $487 (Q4 2021 – $50; 2021 – $145), attributable to bank interest income, miscellaneous income, and administration fee income.

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

During Q4 2022 and 2022, the Company recognized a gain on financial assets measured at FVTPL of $736 and $1,388 (Q4 2021 – loss of $7.4 million; 2021 – loss of $10.3 million). The losses in the prior year were reflective of revaluation of the assets in the period and change of exit strategy on the assets. In 2022 the Company has successfully restructured all FVTPL positions at their approximate carrying values. The Company earned interest income on net mortgage investments measured at FVTPL of $683 and $1.9 million (Q4 2021 – $596; 2021 – $2.4 million), offset by a loss on the fair value of financial assets measured at FVTPL of $122 and $1.7 million (Q4 2021 – $8.2 million; 2021 – $13.7 million), respectively.

During Q4 2022 and 2022, a net unrealized fair value loss on mortgage investments measured at FVTPL of $0.2 million and $1.4 million (Q4 2021 – $8.3 million ; YTD 2021 - $13.6 million) was recorded in the statement of net income and other comprehensive income.

Net rental income (loss) from real estate properties

During Q4 2022 and 2022, the Company incurred net rental loss from real estate properties of $278 and $151 (Q4 2021 – $389; 2021 – $1.5 million). On April 12, 2022 the Company converted its investment in a mortgage at FVTPL to an equity interest in real estate properties. The Company intends on selling the lands and has accordingly recorded them as land inventory. In the interim it will recognize net rental income (losses) on the portfolio. Separately, on April 28, 2022, the Company disposed of its interest in a portfolio of multi-family properties.

Fair value loss on real estate properties

For Q4 2022 and 2022, the Company incurred a loss of $201 on real estate properties upon disposition (Q4 2021 – $4.4 million; 2021 – $4.4 million) due to increased time to stabilize assets and slower market conditions. Additionally, in Q2 2022 the Company, in exchange for the discharge of certain mortgage investments at FVTPL, obtained title to parcels of land which it intends to sell, on exchange the Company recognized a fair value loss of $95 (Q4 2021 – nil; 2021 – nil).

Expenses

Management, Servicing and Arrangement Fees

The management agreement has a term of 10 years 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.

For Q4 2022 and 2022, the Company incurred management fees of $3.0 million and $12.2 million (Q4 2021 – $3.0 million; 2021 – $12.0 million). The average gross assets were $1,344.3 million and $1,362.2 million compared to Q4 2021 $1,275.4 million and 2021 $1,260.6 million. For Q4 2022 and 2022, the Company incurred $217 and $771, respectively (Q4 2021 – $158 and 2021 – $700) in servicing fees. The increase is related to the increase in the average syndications balance during the period. For Q4 2022 and 2022, Arrangement Fees of $202 and $755 paid by borrower were retained by the Manager (Q4 2021 – $125 and 2021 – $1.5 million). Decrease over prior year is due to decreased loan syndication activity in 2022 relative to 2021.

General and administrative

For Q4 2022 and 2022, the Company incurred general and administrative expenses of $608 and $2.1 million, respectively (Q4 2021 – $484; 2021 – $1.8 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees, legal fees, other operating costs, administration of the mortgage and other investments portfolio, DSU expense including mark-to-market adjustments and foreign exchange net gains. After adjusting for foreign currency net realized and unrealized losses of $211 and gains of $144 for Q4 2022 and 2022, and non-cash mark to market gains on DSUs of $33 and $201, for Q4 2022 and 2022 respectively, general and administrative expenses would have been $430 and $2.5 million for Q4 2022 and 2022 ($520 and $1.9 million for Q4 2021 and YTD 2021) the decrease from prior quarter was mainly due to lower costs associated with audit, compliance, marketing and custodian fees. Overall, the increase in the year was primarily due to professional fees associated with the at-the-market equity issuance program, shareholder reporting, investor relations and general increases due to the high inflation environment.

Loan loss provisions

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on mortgage and other investments classified at amortized cost. The allowance for credit losses amounted to $11,350 as at December 31, 2022 (December 31, 2021 - $3,868), of which $10,605 (December 31, 2021 – $2,970) was recorded against mortgage investments and $745 (December 31, 2021 – $898) was recorded against other investments.

Interest on credit facility – mortgage investments

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q4 2022 and 2022, included in financing costs is interest on the credit facility of $7.9 million and $22.0 million (Q4 2021– $2.7 million; 2021 – $11.0 million), the prior year periods included a realized gain on an interest rate swap of Q4 2021 – $1.0 million; 2021 – $3.9 million. Additionally, financing costs amortization of $262 and $984 (Q4 2021 – $177; 2021 – $968) were included in financing costs. The average credit utilization in 2022 was $510.9 million compared to $455.5 million for 2021. Interest expense on the credit facility increased over the periods largely due to higher interest rates as well as higher utilization of the facility.

Interest on credit facility – investment properties

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q4 2022 and 2022, included in financing costs is interest on the credit facility for investment properties of nil and $253 (Q4 2021 – $183; 2021 – $814) and financing costs amortization of nil and $17 (Q4 2021 – $12; 2021 – $54). In connection with its disposition of a portfolio of multi-family investment properties on April 28, 2022, the Company also discharged its obligation on the credit facility - investment properties. It did however retain a guarantee on its prior pro rata share of the facility.

Financing cost on convertible debentures

The Company has $46.0 million of 5.00% convertible unsecured subordinated debentures, $55.0 million of 5.25% convertible unsecured subordinated debentures, and $45.0 million of 5.30% convertible unsecured subordinated debentures outstanding as at December 31, 2022. 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 December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
Interest on the convertible debentures	**$ 1,893**	$ 1,491	**$ 7,562**	$ 5,362
Amortization of issue costs and accretion of the convertible debentures	**367**	276	**1,460**	1,383
Total financing cost on convertible debentures	**$ 2,260**	$ 1,767	**$ 9,022**	$ 6,745

Earnings per share

	Three months ended December 31,		Year ended December 31,	
PER SHARE INFORMATION	**2022**	2021	**2022**	2021
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.69
Earnings per share (basic)	**$ 0.18**	$ 0.03	**$ 0.67**	$ 0.51
Earnings per share (diluted)	**$ 0.18**	$ 0.03	**$ 0.67**	$ 0.51
Adjusted earnings per share (basic)[1]	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.68
Adjusted earnings per share (diluted)[1]	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.68
Distributable income per share[1]	**$ 0.22**	$ 0.20	**$ 0.79**	$ 0.75
Adjusted distributable income per share[1]	**$ 0.22**	$ 0.20	**$ 0.79**	$ 0.74

1. Refer to non-IFRS measures section.

In accordance with IFRS, 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 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	December 31, 2022	December 31, 2021
Mortgage investments, excluding mortgage syndications	**$ 1,189,215**	$ 1,159,210
Mortgage syndications	**611,291**	444,429
Mortgage investments, including mortgage syndications	**1,800,506**	1,603,639
Mortgage syndication liabilities	**(611,291)**	(444,429)
	1,189,215	1,159,210
Interest receivable	**(10,812)**	(10,824)
Unamortized lender fees	**6,801**	8,278
Allowance for mortgage investments loss	**10,605**	2,970
Net mortgage investments	**$ 1,195,809**	$ 1,159,634

Net mortgage investments statistics and ratios[1]	Three months ended December 31,		Year ended December 31,	
	2022	**2021**	**2022**	**2021**
Total number of mortgage investments	**113**	109	**113**	109
Average net mortgage investment	**$ 10,862**	$ 10,942	**$ 10,862**	$ 10,942
Average net mortgage investment portfolio	**$ 1,227,371**	$ 1,077,147	**$ 1,187,365**	$ 1,067,598
Weighted average interest rate for the period	**9.7 %**	6.9 %	**8.1 %**	7.1 %
Weighted average lender fees for the period	**1.2 %**	0.9 %	**1.1 %**	0.8 %
Turnover ratio	**17.2 %**	23.3 %	**39.8 %**	65.4 %
Average remaining term to maturity (years)	**0.9**	1.0	**0.9**	1.0
Net mortgage investments secured by cash-flowing properties	**87.4 %**	88.3 %	**87.4 %**	88.3 %
Weighted average loan-to-value	**68.3 %**	70.1 %	**68.3 %**	70.1 %

[1] Refer to non-IFRS measures section.

Portfolio allocation

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

a. Security position	December 31, 2022		December 31, 2021	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
Interest in first mortgages	102	$ 1,105,431	98	$ 1,080,376
Interest in second and third mortgages[1]	11	90,378	11	79,258
	113	$ 1,195,809	109	$ 1,159,634

[1]Included in the Company's interest in second and third mortgages as at December 31, 2022 was $12.5 million of the net mortgage investments in which the Company holds a subordinated position (December 31, 2021 - $41.8 million). The Company's syndicated partners who hold a senior position as at December 31, 2022 was $14.2 million (December 31, 2021 - $69.3 million).

b. Region	December 31, 2022		December 31, 2021	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
Quebec	36	$ 449,571	24	$ 360,143
Ontario	33	295,664	41	340,195
British Columbia	25	298,778	25	307,401
Alberta	9	99,936	10	122,707
Other (Saskatchewan, Nova Scotia, Manitoba and New Brunswick)	10	51,860	9	29,188
	113	$ 1,195,809	109	$ 1,159,634

c. Maturity	December 31, 2022		December 31, 2021	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
2023	65	$ 676,561	48	$ 595,530
2024	41	398,124	53	489,299
2025	5	45,284	7	70,305
2026	2	75,840	1	4,500
	113	$ 1,195,809	109	$ 1,159,634

d. Asset Type / WALTV at origination[3]	December 31, 2022			December 31, 2021		
	Number	Net Mortgage Investments	WALTV at origination[3]	Number	Net Mortgage Investments	WALTV at origination[3]
Multi-Residential[1]	68	$ 627,892	70.4%	64	$ 533,844	72.3%
Retail	12	151,806	70.4%	14	215,977	72.1%
Unimproved Land[2]	5	56,097	58.7%	6	72,350	52.3%
Office	6	83,556	62.5%	6	76,994	62.5%
Retirement	2	78,649	80.8%	4	132,834	75.2%
Industrial	16	109,424	60.1%	9	51,402	67.6%
Single-Residential	3	82,885	54.0%	2	23,929	69.4%
Self-Storage	—	—	—%	1	830	80.9%
	112	1,190,309	67.9%	106	1,108,160	70.3%
Net mortgage investments measured at FVTPL	1	5,500	n/a	3	51,474	n/a
	113	$ 1,195,809		109	$ 1,159,634	

[1] Includes 6 construction loans (December 31, 2021 - 10) totaling $27.2 million (December 31, 2021 - $56.6 million). Construction loans are provided for the purposes of building a new asset.
[2] Unimproved land loans are provided to non-income producing properties that does not contemplate construction during the loan period.
[3] Weighted average loan-to-value measured at time of origination.

Enhanced return portfolio

As at		December 31, 2022		December 31, 2021
Collateralized loans, net of allowance for credit loss	$	**59,956**	$	58,000
Finance lease receivable, measured at amortized cost		**6,020**		6,020
Investment, measured at FVTPL		**4,744**		4,985
Investment in indirect real estate development		**2,225**		2,225
Total Other Investments		**72,945**		71,230
Investment properties		—		44,063
Credit facility (investment properties)		—		(30,690)
Net equity in investment properties		—		13,373
Total Enhanced Return Portfolio	$	**72,945**	$	84,603

During Q4 2022 and 2022, the Company earned $1.1 million and $5.3 million (Q4 2021 – $1.5 million and 2021 – $5.2 million) of interest income on collateralized loans in other investments in the enhanced return portfolio.

During Q4 2022 and 2022, the Company recognized lender fee income of $78 and $267 on collateralized loans in other investments, net of fees relating to mortgage syndication liabilities (Q4 2021 – $120 and 2021 – $455). During Q4 2022 and 2022, the Company recorded non-refundable upfront lender fees of one hundred three and $296 (Q4 2021 – $0; 2021 – $455), which are amortized over the term of the collateralized loans in other investments using the effective interest rate method.

In 2017, the Company entered into a 20-year emphyteutic lease on a foreclosed property held for sale in Quebec, which had a fair value of $5.4 million at the time of the transaction. Refer to note 4(e) of the Consolidated Financial Statements for the years ended December 31, 2022 and 2021.

On August 16, 2017, the Company acquired a 20.46% undivided beneficial interest in the Saskatchewan Portfolio which is comprised of 14 investment properties totaling 1,079 units located in Saskatoon and Regina, Saskatchewan for a total purchase price of $201.7 million (the Company's share is $41.3 million). On April 28, 2022 the Company disposed of its interest in the Saskatchewan Portfolio, recognizing a loss on sale of $201.

Land Inventory

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

As at December 31, 2022, the Company has land inventory of $30.2 million (December 31, 2021 – nil), which is recorded at the lower of cost and net realizable value.

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. The Company has mortgage syndication liabilities of $611.3 million (December 31, 2021 – $444.4 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.

Allowance for Credit Losses ("ACL")

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on our mortgage and other investments. The allowance for credit losses amounted to $11.4 million as at December 31, 2022 (December 31, 2021 – $3.9 million), of which $10.6 million (December 31, 2021 – $3.0 million) was recorded against mortgage investments and $0.7 million (December 31, 2021 – $0.9 million) was recorded against other investments.

	As at December 31, 2022				As at December 31, 2021			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**$ 1,020,893**	**$ —**	**$132,767**	**$1,153,660**	$ 980,245	$ —	$ —	$ 980,245
Mortgage syndication liabilities[1]	**382,077**	**—**	**60,361**	**442,438**	283,528	—	—	283,528
Net mortgage investments	**638,816**	**—**	**72,406**	**711,222**	696,717	—	—	696,717
Allowance for credit losses[2]	**1,424**	**—**	**1,409**	**2,833**	882	—	—	882
	637,392	**—**	**70,997**	**708,389**	695,835	—	—	695,835
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**628,128**	**—**	**32,227**	**660,355**	549,078	8,404	25,418	582,900
Mortgage syndication liabilities[1]	**170,508**	**—**	**—**	**170,508**	163,133	—	—	163,133
Net mortgage investments	**457,620**	**—**	**32,227**	**489,847**	385,945	8,404	25,418	419,767
Allowance for credit losses[2]	**414**	**—**	**7,358**	**7,772**	283	52	1,753	2,088
	457,206	**—**	**24,869**	**482,075**	385,662	8,352	23,665	417,679
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**60,742**	**—**	**—**	**60,742**	58,999	—	—	58,999
Mortgage syndication liabilities[1]	**—**	**—**	**—**	**—**	—	—	—	—
Net mortgage investments	**60,742**	**—**	**—**	**60,742**	58,999	—	—	58,999
Allowance for credit losses[2]	**745**	**—**	**—**	**745**	898	—	—	898
	$ 59,997	**$ —**	**$ —**	**$ 59,997**	$ 58,101	$ —	$ —	$ 58,101

[1]Including interest receivable
[2]Allowance for credit losses in finance lease receivable (note 4(e)) and unadvanced commitments (note 4) are all considered to be in Stage1 with minimal ACL.In stage 3, unadvanced commitments amounts to $57.0 million, the Company's share is 5.1 million.

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

	Year Ended December 31, 2022				Year Ended December 31, 2021			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	$ **882**	$ **—**	$ **—**	$ **882**	$ 967	$ 91	$ 1,405	$ 2,463
Allowance for credit losses:								
Remeasurement	**352**	**—**	**1,277**	**1,629**	17	(5)	76	88
Transfer to/(from)								
Stage 1	**(132)**	**—**	**—**	**(132)**	—	—	—	—
Stage 2	**—**	**—**	**—**	**—**	—	—	—	—
Stage 3	**—**	**—**	**132**	**132**	—	—	—	—
Total allowance for credit losses	**1,102**	**—**	**1,409**	**2,511**	984	86	1,481	2,551
Fundings	**698**	**—**	**—**	**698**	447	—	—	447
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	(1,202)	(1,202)
Recoveries	**—**	**—**	**—**	**—**	—	—	(279)	(279)
Discharges	**(376)**	**—**	**—**	**(376)**	(549)	(86)	—	(635)
Balance at end of period	$ **1,424**	$ **—**	$ **1,409**	$ **2,833**	882	—	—	882

Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	$ **283**	$ **52**	$ **1,753**	$ **2,088**	293	—	954	1,247
Allowance for credit losses:								
Remeasurement	**119**	**—**	**5,553**	**5,672**	22	47	794	863
Transfer to/(from)								
Stage 1	**—**	**—**	**—**	**—**	(10)	—	—	(10)
Stage 2	**—**	**(52)**	**—**	**(52)**	—	5	—	5
Stage 3	**—**	**—**	**52**	**52**	—	—	5	5
Total allowance for credit losses	**402**	**—**	**7,358**	**7,760**	305	52	1,753	2,110
Fundings	**58**	**—**	**—**	**58**	107	—	—	107
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(46)**	**—**	**—**	**(46)**	(129)	—	—	(129)
Balance at end of period	$ **414**	$ **—**	$ **7,358**	$ **7,772**	283	52	1,753	2,088

Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	$ **898**	$ **—**	$ **—**	$ **898**	97	—	1,516	1,613
Allowance for credit losses:								
Remeasurement	**(111)**	**—**	**—**	**(111)**	(191)	—	1,373	1,182
Transfer to/(from)								
Stage 1	**—**	**—**	**—**	**—**	975	—	—	975
Stage 2	**—**	**—**	**—**	**—**	—	—	—	—
Stage 3	**—**	**—**	**—**	**—**	—	—	(975)	(975)
Total allowance for credit losses	**787**	**—**	**—**	**787**	881	—	1,914	2,795
Fundings	**22**	**—**	**—**	**22**	27	—	—	27
Gross Write-Offs	**—**	**—**	**—**	**—**	—		(1,914)	(1,914)
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(64)**	**—**	**—**	**(64)**	(10)	—	—	(10)
Balance at end of period	$ **745**	$ **—**	$ **—**	$ **745**	$ 898	$ —	$ —	$ 898

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

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

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

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

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

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

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

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

	As at December 31, 2022				As at December 31, 2021			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	**$ 117,051**	**$ —**	**$ —**	**$ 117,051**	$ 140,125	$ —	$ —	$ 140,125
Medium-Low risk	**324,592**	**—**	**—**	**324,592**	474,200	—	—	474,200
Medium-High risk	**194,748**	**—**	**—**	**194,748**	76,608	—	—	76,608
High risk	**2,425**	**—**	**—**	**2,425**	5,784	—	—	5,784
Default	**—**	**—**	**72,406**	**72,406**	—	—	—	—
Net	**638,816**	**—**	**72,406**	**711,222**	696,717	—	—	696,717
Allowance for credit losses	**1,424**	**—**	**1,409**	**2,833**	882	—	—	882
Mortgage investments[1]	**637,392**	**—**	**70,997**	**708,389**	695,835	—	—	695,835
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	**107,417**	**—**	**—**	**107,417**	9,120	—	—	9,120
Medium-Low risk	**233,874**	**—**	**—**	**233,874**	321,997	—	—	321,997
Medium-High risk	**116,329**	**—**	**—**	**116,329**	54,828	8,404	—	63,232
High risk	**—**	**—**	**—**	**—**	—	—	—	—
Default	**—**	**—**	**32,227**	**32,227**	—	—	25,418	25,418
Net	**457,620**	**—**	**32,227**	**489,847**	385,945	8,404	25,418	419,767
Allowance for credit losses	**414**	**—**	**7,358**	**7,772**	283	52	1,753	2,088
Mortgage investments[1]	**457,206**	**—**	**24,869**	**482,075**	385,662	8,352	23,665	417,679
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	**60,742**	**—**	**—**	**60,742**	58,999	—	—	58,999
Default	**—**	**—**	**—**	**—**	—	—	—	—
Net	**60,742**	**—**	**—**	**60,742**	58,999	—	—	58,999
Allowance for credit losses	**745**	**—**	**—**	**745**	898	—	—	898
Other loan Investments[1]	**$ 59,997**	**$ —**	**$ —**	**$ 59,997**	$ 58,101	$ —	$ —	$ 58,101

[1] Net of allowance and mortgage syndications

Net working capital

Net working capital decreased by $0.6 million to $8.9 million at December 31, 2022 from $9.5 million at December 31, 2021.

Credit facility (mortgage investments)

As of December 31, 2022, the Company had an aggregate credit limit of $600 million and an accordion option of $35 million on its credit facility - mortgage investments. The Company started the year with an aggregate credit limit of $535 million and an accordion option of $100 million on its credit facility. On February 10, 2022, the Company entered into an amendment to its existing revolving credit facility ("Eighth Amending Credit Agreement") in order to, among other things, extend the maturity date to February 10, 2024 and increase the aggregate credit limit to $575 million, with an accordion option of $60 million. In July 2022, the Company exercised its accordion option by drawing an additional $25 million off the accordion and increasing the overall limit on the facility to $600 million. General terms of the credit facility remain unchanged. The facility is secured by a general security agreement over the Company’s assets and its subsidiaries.

The rates of interest and fees of the Eighth Amending Credit Agreement are either at the prime rate of interest plus 1.00% per annum (December 31, 2021 – prime rate of interest plus 1.00% per annum) or bankers' acceptances with a stamping fee of 2.00% (December 31, 2021 – 2.00%) and standby fee of 0.40% per annum (December 31, 2021 – 0.40%) on the unutilized credit facility balance. As at December 31, 2022, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the Eighth Amending Credit Agreement is $554.5 million.

During 2022, the Company incurred financing costs of $801 (2021 – $1.3 million). The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

Credit facility (investment properties)

Concurrently with the acquisition of the Saskatchewan Portfolio, the Company and the co-owners originally entered into a credit facility agreement with a Schedule 1 Bank. Under the terms of the agreement, the co-ownership had a maximum available credit of $162.6 million. The gross initial advance on the credit facility was $144.6 million. The Company's share of the initial advance was $29.6 million plus $109 of unamortized financing costs.

On October 9, 2019, the credit facility agreement was further amended (the "Amended and Restated Credit Agreement") to establish Tranche A, Tranche B and Tranche C credit facilities (the "Credit Facilities"). Under the amended terms, the maximum available credit is $150.0 million. In January 2023, the facility was paid down by the co-owners by $15.0 million to $135.0 million.

On April 28, 2022 the credit facility was amended to the Second Restated Credit Agreement to, among other things, extend the maturity date to October 28, 2022. On June 30, 2022 it was amended again to the First Amendment to the Second Amended and Restated Credit Agreement, which among other things provides for two three-month extension options on the facility. On October 28, 2022 the two extension options were exercised by way of the Second and Third Amendments to the Second Amended and Restated Credit Agreement, extending the maturity date to March 3, 2023. As of April 28, 2022, the co-owners had borrowed $150.0 million from the Credit Facilities. The Company's share of the outstanding principal amount was $30.7 million. On April 28, 2022, in connection to the disposition of the Saskatchewan Portfolio (FS Note 5), the Company's share of the outstanding principal was assumed by the purchaser, however the Company still remains a borrower and a guarantor on the facility up to its share of the outstanding principal as of the date of disposal. Notwithstanding, the lender's recourse is limited to each co-borrower's proportionate interest in the investment properties' credit facility.

Convertible debentures

As at December 31, 2022, and December 31, 2021, the Company's obligations under the convertible unsecured debentures are as follows:

Series	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price per share	Equity Component	December 31, 2022	December 31, 2021
June 2017 Debentures	5.30 %	June 30, 2024	June 30 and December 31	11.10	560	**45,000**	45,000
July 2021 Debentures	5.25 %	July 31, 2028	January 31 and July 31	11.40	1,107	**55,000**	55,000
December 2021 Debentures	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						**(6,580)**	(8,264)
Debentures, end of period						**139,420**	137,736

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

	Year ended December 31,	
	2022	**2021**
Interest on the convertible debentures	**$ 7,562**	$ 5,362
Amortization of issue costs and accretion of the convertible debentures	**1,460**	1,383
Total	**$ 9,022**	$ 6,745

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 $42.8 million (the “June 2017 Debentures”). The June 2017 Debentures were redeemable on and after June 30, 2020, but prior to June 30, 2022. The June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice, 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 or after June 30, 2022 and prior to the maturity date, the June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice.

The issue costs of $2.2 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. The July 2021 Debentures may be redeemed, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after July 31, 2026 and prior to the maturity date, the July 2021 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice.

The issue costs of $2.9 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. The December 2021 Debentures may be redeemed, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price.

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

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

SHAREHOLDERS' EQUITY

Common shares

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

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

On June 10, 2021, the Company filed a 25-month period base shelf prospectus in all provinces and territories of Canada which allows the Company to offer and issue common shares, debt securities, subscription receipts, warrants, and units (collectively, the “Securities”) from time to time up to an aggregate offering price of $500.0 million.

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

The Company announced on June 18, 2021 that it has established an ATM Program which allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to $90 million to the public from time to time, at the Company’s discretion. Sales of the common shares under the equity distribution agreement were made through “at-the-market distributions” as defined in National Instrument 44-102 - Shelf Distributions, including sales made directly on the Toronto Stock Exchange (the "TSX"). The common shares distributed under the ATM Program were at the market prices prevailing at the time of sale, and therefore prices varied between purchasers and over time.

The Company currently intends to use the net proceeds of the ATM Program for general investment and working capital purposes, including, if and as required, repaying amounts owing under its secured revolving credit facility. The credit facility is used for day to day working capital requirements of the Company and for other general corporate purposes, particularly the funding of mortgage loans.

During Q4 2022 and 2022 , the Company issued nil and 1,504,300 (Q4 2021 - 537,100 and 2021 - 852,100) of common shares for gross proceeds of nil and $14.3 million (Q4 2021 - $5.2 million and 2021 - $8.2 million) at an average price of $9.52 per common share (Q4 2021 - $9.69 and 2021 - $9.67)and paid $246 in commissions to the agent (Q4 2021 - $104 and 2021 - $165), pursuant to the equity distribution agreement.

(b) Dividend reinvestment plan ("DRIP")

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

During Q4 2022 and 2022, the Company purchased from open market and issued under DRIP 192,271 and 360,830 common shares (Q4 2021 - nil; and 2021 - 47,808) for total amount of $1.4 million and $2.8 million (Q4 2021 – nil; 2021 – $416). During 2022, common shares were purchased from open market at an average price of $7.89 per common share.

During Q4 2022 and 2022, the Company issued nil and 281,114 common shares from treasury under DRIP, no shares were issued from treasury under DRIP in the quarter (Q4 2021 – 134,683 and 2021 – 480,069) and retained nil and $2.6 million in dividends (Q4 2021 – $1.3 million; 2021 – $4.4 million), common shares were issued from treasury at an average price of $9.08 per common share.

(c) Dividends to holders of common shares

The Company intends to pay dividends to holders of common shares monthly within 15 days following the end of each month. During Q4 2022 and 2022, the Company declared dividends of $14.5 million or $0.1725 per share and $57.7 million or $0.6900 per share (Q4 2021 – $14.2 million, $0.1725 per share and 2021 – $56.1 million, $0.6900 per share).

As at December 31, 2022, $4.8 million in aggregate dividends (December 31, 2021 – $4.7 million) were payable to the holders of common shares by the Company. Subsequent to December 31, 2022, the Board of Directors of the Company declared dividends of $0.0575 per share to be paid on January 15, 2023 to the common shareholders of record on December 31, 2022.

(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 continue until May 25, 2023, when the bid will expire.

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

During Q4 2022 and 2022, the Company repurchased 107,500 and 117,500 common shares (Q4 2021 – nil; 2021 – nil) for a total amount of $846 (Q4 2021 – nil; 2021 – nil). The average price per common share repurchased was $7.20 for 2022. 25,000 common shares for a total amount of $177 were settled and cancelled subsequent to December 31, 2022.

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

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

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

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

During Q4 2022 and 2022, 8,452 and 36,704 units were issued (2021 – 9,126 and 36,953 units) and as at December 31, 2022, 99,037 units were outstanding (December 31, 2021 – 145,140 units).

During Q4 2022 and 2022, nil and 82,807 DSUs were exercised (2021 – nil and nil). DSU expense for Q4 2022 and 2022 was $102 and $377 (2021 – $101 and – $355). As at December 31, 2022, $102 (December 31, 2021 – $101) in compensation was granted in DSUs, which will be issued subsequent to December 31, 2022.

STATEMENT OF CASH FLOWS

Cash from operating activities

Cash from operating activities for 2022 was $83.2 million (2021 – $81.6 million).

Cash used in financing activities

Cash used in financing activities for 2022 consisted of the Company's net draws on the operating credit facility of $31.0 million (2021 – $38.8 million net repayments). The Company paid interest on the debentures and credit facilities of $31.6 million (2021 – $21.5 million), and paid common share dividends of $52.2 million (2021 – $51.3 million). During 2022, the Company received net proceeds from issuance of common shares under the ATM program of $14.1 million (2021 - $7.3 million) and repurchased shares on the open market under the NCIB and DRIP programs of $3.7 million (2021 – $416).

The net cash used in financing activities for 2022 was $42.5 million (net cash used 2021 – $54.2 million).

Cash used in investing activities

Cash used in investing activities for 2022 consisted of the Company's funding of net mortgage investments $746.6 million (2021 – $700.8 million). The Company received cash from discharge of net mortgage investments $693.5 million (2021 – $677.6 million). The Company used cash in funding of other investments of $9.5 million (2021 – $55.5 million). The Company received cash from repayments of other investments $10.8 million (2021 – $57.1 million). For 2022, the Company received cash of $7.5 million relating to the disposition of investment properties (2021 – $575 used in funding additions). The company paid cash on maturity of currency forward hedging contracts of $94 (2021 - $876). The net cash used in investing activities for 2022 was $44.2 million (2021 – $21.4 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	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net Investment Income on financial assets measured at amortized cost	**$31,342**	$29,982	$25,802	$22,677	$22,378	$22,042	$23,390	$22,439
Fair value gain (loss) and other income on financial assets measured at FVTPL	**736**	403	352	(103)	(7,404)	(3,577)	211	479
Fair value gain / (loss) on real estate properties	**82**	—	(378)	—	(4,374)	—	—	—
Net rental (loss) income	**(278)**	(291)	36	382	389	386	376	348
Expenses	**(6,671)**	(7,530)	(4,150)	(4,241)	(3,761)	(3,404)	(5,177)	(3,895)
Income from operations	**25,211**	**22,564**	**21,662**	**18,715**	**7,228**	**15,447**	**18,800**	**19,371**
Financing costs:								
Financing cost on credit facilities	**(8,137)**	(6,788)	(4,749)	(3,560)	(4,045)	(4,040)	(4,746)	(3,903)
Financing cost on debentures	**(2,260)**	(2,256)	(2,233)	(2,273)	(1,767)	(1,981)	(1,543)	(1,454)
Fair value gain on derivative contract	**—**	—	—	—	(994)	(995)	(974)	(977)
Net income and comprehensive income	**14,814**	$13,520	$14,680	$12,882	$ 2,410	$10,421	$13,485	$14,991
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME								
Net income and comprehensive income	**$14,814**	$13,520	$14,680	$12,882	$ 2,410	$10,421	$13,485	$14,991
Add: fair value gain on derivative contract (interest rate swap)	**—**	**—**	**—**	—	(994)	(995)	(974)	(977)
Add: net unrealized (gain) loss on financial assets measured at FVTPL	**$ (122)**	$ 369	$ 377	$ 946	$ 8,237	$ 4,295	$ 1,100	$ 116
Add: net unrealized loss on investment properties	**—**	—	95	—	4,374	—	—	—
Adjusted net income and comprehensive income[1]	**$14,692**	$13,889	$15,152	$13,828	$14,027	$13,721.	$13,611	$14,130
PER SHARE INFORMATION								
Dividends per share	**$ 0.17**	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17
Earnings per share (basic)	**$ 0.18**	$ 0.16	$ 0.17	$ 0.16	$ 0.03	$ 0.13	$ 0.17	$ 0.19
Earnings per share (diluted)	**$ 0.18**	$ 0.16	$ 0.17	$ 0.16	$ 0.03	$ 0.13	$ 0.17	$ 0.18
Adjusted earnings per share (basic)[1]	**$ 0.17**	$ 0.17	$ 0.18	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17
Adjusted earnings per share (diluted)[1]	**$ 0.17**	$ 0.17	$ 0.18	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17
Distributable income per share[1]	**$ 0.22**	$ 0.20	$ 0.19	$ 0.18	$ 0.20	$ 0.17	$ 0.20	$ 0.19
Adjusted distributable income per share[1]	**$ 0.22**	$ 0.20	$ 0.19	$ 0.18	$ 0.20	$ 0.17	$ 0.19	$ 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;

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

As at December 31, 2022, due to Manager mainly includes management and servicing fees payable of $1.1 million (December 31, 2021 – $1.4 million). During 2022, Arrangement Fees of $0.8 million paid by borrower were retained by the Manager (2021 – $1.5 million).

As at December 31, 2022, included in other assets is $6.1 million (December 31, 2021 – $4.2 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.

As at December 31, 2022, the Company has the following mortgage investments which a director or directors of the Company are also officers and part-owners of a syndication partner of these mortgages.

- In Q3 2022, a mortgage investment with a total gross commitment of $11.6 million (December 31, 2021 – $11.6 million) was repaid. The Company's former share of the commitment was $0.9 million (December 31, 2021 – $0.9 million). For the year ended December 31, 2022, the Company has recognized net interest income of $71 (2021 – $104) from this mortgage investment during the year.

- A mortgage investment with a total gross commitment of $48.8 million (December 31, 2021 – $45.7 million). The Company's share of the commitment is $4.4 million (December 31, 2021 – $4.2 million). For the year ended December 31, 2022, the Company has recognized net interest income of $501 (2021 – $263) from this mortgage investment during the year.

As at December 31, 2022, 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 mortgages (December 31, 2021 – 2) and other investments totaling $35.5 million (December 31, 2021 – $33.2 million), on gross basis including mortgage syndications. The Company's share in these mortgage investments is $10.5 million (December 31, 2021 – $9.8 million).

As at December 31, 2022, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling $4.7 million or €3.3 million (December 31, 2021 – $5.0 million or €3.5 million), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.

COMMITMENTS AND CONTINGENCIES

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

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

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's consolidated financial statements, the Manager has made judgements, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties, other than the global market volatility noted below, that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements.

Global financial markets continued to be volatile during 2022, in part due to Russia's military invasion of Ukraine and the related sanctions and economic fallout as well as high levels of inflation globally and rising interest rates. There remains some uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the consolidated financial statements. Given the current geopolitical landscape and the economic uncertainty, it is difficult to predict with certainty the impact these will have on the Company's estimate of allowance for credit losses and investments measured at FVTPL, both in the short term and in the long term.

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

Measurement of fair values

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

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

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

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

The information about the assumptions made in measuring fair value is included in the following notes of the Company's annual financial statements:

- Note 4 – Mortgage and other investments, including mortgage syndications;
- Note 5 – Investment properties; and
- Note 6 – Land inventory
- Note 20 – Fair value measurements.

Measurement of expected credit loss

The determination of the allowance for credit losses takes into account different factors and varies by nature of investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the allowance of credit loss. Refer to note 4(d) of the Company's annual financial statements.

Syndication liabilities

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

Classification of mortgage and other investments

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

Net realizeable value of land inventory

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

SIGNIFICANT ACCOUNTING POLICIES

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

OUTSTANDING SHARE DATA

As at February 22, 2023, the Company’s authorized capital consists of an unlimited number of common shares, of which 83,775,016 are issued and outstanding.

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 facilities. The Company has a borrowing ability of $554.5 million through its credit facility – mortgage investments and intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at December 31, 2022, the Company is in compliance with its credit facilities covenants and expects to remain in compliance going forward.

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

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at December 31, 2022, including expected interest payments:

	Carrying value	Contractual cash flow	Within a year	Following year	3–5 years	5 + Years
Accounts payable and accrued expenses	$ 4,450	$ 4,450	$ 4,450	$ —	$ —	$ —
Dividends payable	4,824	4,824	4,824	—	—	—
Due to Manager	1,098	1,098	1,098	—	—	—
Mortgage and other loans funding holdbacks	1,345	1,345	1,345	—	—	—
Prepaid mortgage and other loans interest	4,721	4,721	4,721	—	—	—
Credit facility (mortgage investments)[1]	450,347	484,688	30,286	454,402	—	—
Convertible debentures[2]	139,420	179,500	7,573	51,380	15,563	104,984
	$ 606,205	$ 680,626	$ 54,297	$ 505,782	$ 15,563	$ 104,984
Unadvanced mortgage commitments[3]	—	293,386	293,386	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities[4]	$ 606,205	$ 974,012	$ 347,683	$ 505,782	$ 15,563	$ 104,984

1 Credit facility (mortgage investments) includes interest based upon December 2022 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on Feb 10, 2024.
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 $144.6 million belong to the Company's syndicated partners.
4 The principal repayments of $609.0 million mortgage syndication liabilities by contractual maturity date is shown net with mortgage investments.

As at December 31, 2022, the Company had a cash position of $2.8 million (December 31, 2021 – $6.3 million) and an unutilized credit facility (mortgage investments) balance of $103.5 million (December 31, 2021 – $115.0 million). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities and the credit facilities.

As at December 31, 2022, unadvanced mortgage commitments under the existing mortgage investments, including mortgage syndications, amounted to $293.4 million (December 31, 2021 – $407.4 million) of which $144.6 million (December 31, 2021 – $253.5 million) belong to the Company’s syndicated partners. The Company expects the syndication partners to fund their respective commitments.

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, convertible debentures, derivative liability (interest rate swap contract) and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of convertible debentures and mortgage syndication liabilities, the fair value of these financial liabilities approximate their carrying amounts due to their short-term nature. The fair value of mortgage syndication liabilities approximate their carrying value given the mortgage investments consist of short-term mortgages that are repayable at the option of the borrower without yield maintenance or penalties. The fair value of the convertible debentures is based on the market trading price of convertible debentures at the reporting date.

RISKS AND UNCERTAINTIES

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2022, $1,173.7 million of net mortgage investments and $5.0 million of other investments bear interest at variable rates (December 31, 2021 – $1,104.8 million and $15.6 million, respectively). As of December 31, 2022, $1,105.7 million of net mortgage investments have a "floor rate" (December 31, 2021 – $1,048.0 million).

If there were a decrease or increase of 1.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments and other investments to net income and comprehensive income would be a decrease in net income of $16.0 million (December 31, 2021 – 0.5% and $46) or an increase in net income of $17.7 million (December 31, 2021 – 0.5% and $3.9 million). The Company manages its sensitivity to interest rate fluctuations by managing the fixed/floating ratio and its use of floor rates in its investment portfolio.

The Company is also exposed to interest rate risk on the credit facilities, which have a balance of $451.0 million as at December 31, 2022 (December 31, 2021 – $450.7 million). As at December 31, 2022, net exposure to interest rate risk was $451.0 million (December 31, 2021 – $450.7 million), and assuming it was outstanding for the entire period, a 1.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income by $6.8 million (December 31, 2021 – $2.3 million per 0.50% decrease of 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 and credit facility investment properties that are denominated in a currency other than the Canadian dollar. The Company uses foreign currency forwards and swaps to approximately economically hedge the principal balance of future earnings and cash flows caused by movements in foreign exchange rates. Under the terms of the foreign currency forward and swap contracts, the Company buys or sells a currency against another currency at a set price on a future date.

As at December 31, 2022, the Company has US$7.1 million and €3.3 million in other investments denominated in foreign currencies (December 31, 2021 – US$7.1 million and €3.5 million). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at December 31, 2022, 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 1.2971, that matured in January 2023. The Company also has one Euro currency contract with an aggregate notional value of €3.2 million at a contract rate of 1.3525, that matured in January 2023.

The fair value of the foreign currency forward contracts as at December 31, 2022 is a liability of $705 which is included in accounts payable. The valuation of the foreign currency forward contracts was computed using Level 2 inputs which include spot and forward foreign exchange rates.

Credit risk

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

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

The exposure to credit risk at December 31, 2022 relating to net mortgages and other investments amount to $1,273.7 million (December 31, 2021 – $1,248.3 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 1 bank, to be minimal.
The Company is exposed to credit risk from the collection of accounts receivable from tenants. The Manager routinely obtains credit history reports on prospective tenants before entering into a tenancy agreement.

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 at a 2% discount from market price and with no commissions. This provides an easy way to realize the benefits of compound growth of their investment in Timbercreek Financial. Shareholders can enroll in the DRIP program by contacting their investment advisor or investment dealer.

Phone

Blair Tamblyn, CEO
Tracy Johnston, CFO
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