Management's Discussion and Analysis

Timbercreek Financial

For the three months ended March 31, 2017

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For the three months ended March 31, 2017

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

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 the manager, (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 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 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 Timbercreek Asset Management Inc. (the "Manager") do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

This MD&A is dated May 3, 2017. 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.

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BUSINESS OVERVIEW

Timbercreek Financial Corp, previously known as Timbercreek Mortgage Investment Corporation ("TMIC"), is a leading non-bank lender providing financing solutions to qualified real estate prospective borrowers who are generally in a transitional phase of the investment process.

Timbercreek Financial fulfills a financing requirement for real estate investors that is not well serviced by the commercial banks: primarily shorter duration, structured financing. Real estate investors typically use short-term loans 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" loans are typically repaid with traditional bank mortgages (lower cost and longer-term debt) once the transitional period is over or a restructuring is complete or from proceeds generated on the sale of assets.

Timbercreek Financial, through its Manager, has established preferred lender status with many active real estate investors by providing prompt response to requests made by borrowers to facilitate quick execution on investment opportunities and by providing market loan terms that combine the flexibility required by borrowers in order to maximize their efficiencies in executing on opportunities and realizing on profits. Timbercreek Financial works with borrowers throughout the terms of their loans to ensure that their capital requirements are met and, if requested, considers modifications of or extensions to the terms of their loans to accommodate additional opportunities that may arise or changes that may occur.

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

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three months ended March 31, 2017. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017 and 2016, and the audited consolidated financial statements for the years ended December 31, 2016 and 2015, 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 unaudited condensed consolidated interim financial statements in accordance with 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"). These non-IFRS measures are further described below. 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 cash dividends to shareholders and to evaluate its performance.

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 as indicators of the Company's performance.

- 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;
- Other investments – represents total other investment, before adjustments for interest receivable and unamortized lender fees as at the reporting date;
- Average net mortgage investment portfolio – represents the daily average of net mortgage investments for the stated period;
- Weighted average loan-to-value – 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;
- Turnover ratio – represents total mortgage repayments during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period;
- Leverage – represents total of gross convertible debentures and the total credit facility balance divided by total assets less mortgage syndication liabilities;
- 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;
- Weighted average lender fees – represents the cash lender fees received on individual investments during the stated period, expressed as a percentage of the Company's advances on those investments. If the entire lender fee is received but the investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment;
- Weighted average lender fees on mortgage investments– 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;
- Net interest income – represents interest income, fee income and other income exluding any income, fee income and other income from mortgage syndications;
- Income from operations – represents income before non-operating items such as net operating gain (loss) from foreclosed properties held for sale ("FPHFS"), fair value adjustments on FPHFS, termination of management contracts, transaction costs relating to the Amalgamation, bargain purchase gain and financing costs;
- Adjusted total net income and comprehensive income – represents total net income and comprehensive income for the stated period excluding termination of management contracts, transaction costs relating to the Amalgamation and bargain purchase gain;
- Adjusted earnings per share – represents the total adjusted total net income and comprehensive income divided by the weighted average outstanding shares for the stated period;
- Distributable income – represents the Company's ability to generate recurring cash flows for dividends by removing the effect of lender fees, amortization, accretion, unrealized fair value adjustments, provisions for mortgage investments loss,

termination of management contracts, transaction costs relating to the Amalgamation, bargain purchase gain, and unrealized gain or loss from total net income and comprehensive income;

- Distributable income per share – represents the total distributable income divided by the weighted average common outstanding shares for the stated period;
- Expense ratio – represents total expenses excluding financing costs, net operating (gain) loss on FPHFS, fair value adjustment on FPHFS, provision for mortgage investments loss, termination of management contracts, transaction costs relating to the Amalgamation and bargain purchase gain for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities;
- Fixed expense ratio – represents expenses as calculated under expense ratio, less performance fees, for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities; and
- 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.
- Payout ratio on distributable income – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.

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RECENT DEVELOPMENTS AND OUTLOOK

In Q1 2017, Timbercreek Financial delivered solid financial results and continued to show progress on the objectives we set with the merger last year. We have enhanced our profile and gained greater attention in the capital markets, we've established a broader set of investments in our portfolio adding to our return potential while maintaining a low-risk profile, and we have a more efficient cost structure that has eliminated certain expenses and improved operating margins.

We completed a convertible unsecured debenture offering in Q1 2017, raising net proceeds of $43.7 million. The debentures yield 5.45% and mature on March 31, 2022. This offering allows us to broaden the types of investments in our portfolio to include certain higher-yielding investments such as collateralized loans, participating mortgages and marketable securities. Leveraging the full breadth of the Manager's origination capabilities and underwriting standards, these investments generate accretive returns and increase our portfolio diversification. Totaling 1.5% of the total assets of the portfolio in Q1 2017, these investments in aggregate will remain less than 10% of the portfolio at all times.

During the quarter, we announced the appointment of Cameron Goodnough as President of Timbercreek Financial. Cameron was previously serving as Vice President of Finance and Corporate Development for the Company. Mr. Goodnough will be focused on enhancing the Company's relationship with the investment and analyst community, one of the key objectives of the merger. Andrew Jones, CEO of Timbercreek Financial, will continue to focus on asset selection, risk management and client relationships.

Recent news headlines have focused on the residential real estate market in Ontario and the provincial government's efforts to stabilize home prices as well as rental costs, Our exposure to single family housing is only 0.2% of the total portfolio, and thus we do not anticipate any direct impact from a potential re-pricing in that market. Secondarily, the vast majority of our multi-residential assets in Ontario were built prior to 1991 and have been subject to rent control for decades. For assets built after 1991, we prudently underwrite these assets the same way as pre-1991 assets. As a result,we are not concerned that the new rent control measures will have any financial impact on our multi-residential portfolio.

Recent news headlines have has also centered on funding capabilities at certain mortgage lenders. It is important to note that we do not rely on deposits for funding, but rather employ longer term funding sources which provide the capital stability required to continue investing in quality commercial real estate opportunities.

Portfolio Activity

The net value of our commercial mortgage portfolio excluding syndications was approximately $1.0 billion at the end of Q1 2017. Importantly, not all Mortgage Investment Corporations portfolios are created equal. We believe Timbercreek Financial offers a superior risk profile (based on the types of investments we make) while still being able to generate a similar yield to our peers.

Our risk management is achieved through a variety of strategies, including a focus on lending against income-producing assets. At quarter end, 88.6% of the mortgage investments were secured by properties with existing rental income, up slightly from year-end. Approximately 50% of the portfolio was secured by multi-residential real estate (apartment buildings), which is a stable asset class with predictable cash-flow streams.

Our exposure to first mortgages, which are lower risk, was 86.5%, which was also up from year-end, and well ahead of our internal target of 75%. Our weighted average loan-to-value (LTV) ratio was 67.2%, which is below our internal target of 70%. Our weighted average interest rate for the period during Q1 2017 was 7.3%. Higher rates can be obtained by investing in single-family housing, condominiums and construction, but our focus is primarily on lower-risk segments of the market, which constitute income-producing properties, and in particular, apartment buildings.

We funded 11 new mortgage investments in the quarter totaling $76.9 million and had additional advances of $21.4 million. Portfolio turnover was 7.3% in Q1 2017, compared to 12.2% in Q4 2016. Portfolio turnover in Q1 2017 was lower than the previous quarter due primarily to the timing of the completion of certain mortgage investments. We expect turnover will revert to more typical levels in Q2 2017. Our draw on the credit facility stood at $294.9 million at the end of Q1 2017 compared to $299.0 million at the end of Q4 2016.

The portfolio remains well diversified by geography. Approximately 79% of the portfolio is invested in Ontario, Quebec and British Columbia, which is consistent with our year-end position. The percentage of assets invested in Alberta increased slightly in Q1 2017 to 9.1% from 8.3% at year-end. As mentioned in recent quarters, while we are starting to see more quality investment opportunities in Alberta, we continue to exercise caution in that market.

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FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at		March 31, 2017		March 31, 2016		December 31, 2016
KEY FINANCIAL POSITION INFORMATION						
Mortgage investments, including mortgage syndications	$	1,594,073	$	823,245	$	1,549,849
Other investments	$	25,013	$	–	$	9,828
Total assets	$	1,635,519	$	838,232	$	1,573,970
Credit facility balance	$	296,279	$	53,000	$	300,580
Convertible debentures	$	119,164	$	32,895	$	76,757
Total liabilities	$	986,248	$	476,021	$	927,298
CAPITAL STRUCTURE						
Shareholders' equity	$	649,271	$	362,211	$	646,672
Convertible debentures, par	$	126,300	$	34,500	$	80,300
Credit facility limit	$	350,000	$	60,000	$	350,000
Leverage[1]		39.4%		19.3%		37.0%
COMMON SHARE INFORMATION						
Number of common shares outstanding		73,933,188		40,523,728		73,858,499
Closing trading price	$	9.42	$	8.39	$	8.72
Market capitalization	$	696,451	$	339,994	$	644,046

1 Refer to non-IFRS measures section, where applicable.

Operating Results

	Three months ended March 31, 2017	Three months ended March 31, 2016	Year ended December 31, 2016
Net interest income[1]	$ 20,764	$ 10,798	$ 61,422
Income from operations[1]	$ 17,541	$ 8,363	$ 51,231
Total net income and comprehensive income	$ 12,945	$ 7,177	$ 45,999
Earnings per share (basic)	$ 0.18	$ 0.18	$ 0.80
Earnings per share (diluted)	$ 0.17	$ 0.18	$ 0.80
Adjusted total net income and comprehensive income[1]	$ 12,945	$ 7,177	$ 39,940
Adjusted earnings per share (basic)[1]	$ 0.18	$ 0.18	$ 0.70
Adjusted earnings per share (diluted)[1]	$ 0.17	$ 0.18	$ 0.70
Dividends to shareholders	$ 12,636	$ 7,294	$ 39,893
Dividends per common share	$ 0.171	$ 0.180	$ 0.702
Payout ratio on earnings per share[1]	97.6%	101.6%	86.7%
Distributable income[1]	$ 13,410	$ 7,246	$ 42,636
Distributable income per share[1]	$ 0.18	$ 0.18	$ 0.74
Payout ratio on distributable income[1]	94.2%	100.7%	93.5%

1 Refer to non-IFRS measures section, where applicable.

ACQUISITION OF TSMIC

On June 30, 2016 (the "Effective Date"), TMIC amalgamated with Timbercreek Senior Mortgage Investment Corporation ("TSMIC") to form a single entity called Timbercreek Financial Corp. under the laws of the Province of Ontario. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The common shares of the Company are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TF".

On the Effective Date, TMIC and TSMIC amalgamated to form the Company under the laws of the Province of Ontario by Articles of Arrangement (the "Amalgamation"). As a result of the Amalgamation, the Company has become a leading non-bank commercial real estate lender. The synergies and scale of the Company will create a larger float and better liquidity, improved prospects for earnings and dividend growth, improved portfolio characteristics and cost savings.

The Amalgamation resulted in each TMIC shareholder receiving one share of the Company for each TMIC share held and each TSMIC shareholder receiving 1.035 shares of the Company for each TSMIC share held.

For financial reporting purposes, the Amalgamation is considered a business combination in accordance with International Financial Reporting Standards 3 – Business Combinations ("IFRS 3") with TMIC considered as the "acquirer" and TSMIC as the "acquiree". Accordingly, on the Effective Date, TMIC is considered to have acquired all of the issued and outstanding common shares of TSMIC. The total purchase price paid by the TMIC consisted of 32,551,941 common shares of TMIC (representing 31,451,154 TSMIC shares at an exchange ratio of 1:1.035) and were valued at $8.34 per share, representing TMIC's closing share price as at June 29, 2016. Under IFRS 3, the share consideration is required to be measured based on the trading price of TMIC's common shares on the closing date of the business combination; whereas, the actual consideration pursuant to the terms of the Amalgamation was based on the adjusted book value per share of TMIC and TSMIC as at March 31, 2016.

The Company recorded the identifiable assets and liabilities of TSMIC at fair value resulting in the recognition of a bargain purchase gain of $15.2 million, representing an excess in the fair value of net assets acquired over the consideration transferred for TSMIC at $8.34 per TMIC share as at the June 29, 2016 closing share price.

The fair value of the acquired identifiable net assets and bargain purchase gain are as follows:

	Total
Fair value of net assets acquired	
Mortgage investments, including mortgage syndications	$ 545,112
Other assets	606
Accounts payable and accrued expenses	(1,303)
Dividends payable	(1,573)
Due to Manager	(441)
Mortgage funding holdbacks	(15)
Prepaid mortgage interest	(504)
Credit facility	(181,650)
Mortgage syndication liabilities	(73,595)
Total net assets acquired	$ 286,637
Consideration transferred	
32,551,941 common shares issued	$ 271,483
Excess of net assets acquired over consideration transferred (bargain purchase gain)	$ 15,154

In connection with the Amalgamation:

- Each of the TMIC credit facility and the TSMIC credit facility were amended and restated in their entirety under the new credit facility
- TMIC's management agreement with the Manager was terminated and a new management agreement was entered as of the Effective Date. The new management agreement has a management fee that equals to 0.85% per annum and a servicing fee equal to 0.10% per annum on certain syndicated senior tranches of mortgages that are held by third parties. The new management agreement does not have any performance fees and has a significantly lower management fee when compared with the old agreement. As consideration of the termination of the management agreement, TMIC agreed to pay the Manager a one-time termination fee of $7.4 million which was settled in cash of $0.9 million for HST payable and the balance payable to the Manager in 782,830 TMIC shares valued at $8.34 per share, representing TMIC's closing share price as of June 29, 2016. Performance fees of $1.2 million accrued for the period prior to the Amalgamation is payable to the Manager upon the termination of the management agreement and was paid by TF in August 2016
- TMIC and TSMIC agreed that each party will pay all fees, costs and expenses incurred by each party with respect to the Amalgamation; however, they will share equally in the payment of expenses such as filing fees, proxy solicitation services, and applicable taxes payable in respect of any application, notification or other filing made in respect of any regulatory process contemplated by the Amalgamation. As a result, TMIC's share of transaction costs relating to the Amalgamation was $1.6 million and was accrued by TMIC prior to the Amalgamtion

Had the Amalgamation of TSMIC occurred as of April 1, 2016, the Company's net interest income would have been approximately $71.4 million and the net income for the year would have been $51.8 million, inclusive of $4.8 million of net non-recurring gains and costs related to the Amalgamation.

As part of the Amalgamation, all mortgage investments held by TSMIC were acquired by TMIC. As the TMIC and TSMIC portfolios are not maintained separately and had various co-invested mortgage investments, it is impracticable for TF to disclose the income and expenses of TSMIC since the acquisition date included in the unaudited condensed consolidated interim statement of net income and comprehensive income.

For the three months ended March 31, 2017 ("Q1 2017") and March 31, 2016 ("Q1 2016")

- The Company funded 11 new net mortgage investments (Q1 2016 – 11) totalling $76.9 million (Q1 2016 – $36.2 million), made additional advances on existing mortgage investments totalling $21.4 million (Q1 2016 – $23.1 million) and received full repayments on 13 mortgage investments (Q1 2016 – 10) and partial repayments totalling $76.2 million (Q1 2016 – $62.8 million). As a result, the net mortgage investment portfolio as at March 31, 2017 has increased by $22.1 million to $1,022.1 million (December 31, 2016 – $1,000.0 million), or 2.2% from December 31, 2016.
- The Company funded 2 new other investments (Q1 2016 – nil) totalling $14.0 million (Q1 2016 – nil), made additional advances on existing other investments totalling $1.0 million (Q1 2016 – nil). As a result, the net other investments portfolio as at March 31, 2017 has increased by $15.0 million to $24.9 million (December 31, 2016 – $9.9 million), or 60.4% from December 31, 2016.
- Non-refundable cash lender fees received was $1.4 million (Q1 2016 – $0.9 million) or a weighted average lender fee of 1.1% (Q1 2016 – 1.8%), inclusive of other investments,which is in-line with management's expectations.
- Net interest income earned was $20.8 million (Q1 2016 – $10.8 million), an increase of $10.0 million, or 92.3% from Q1 2016. The increase is mainly attributable to the Amalgamation as Q1 2017 is the third full quarter in operations after the Amalgamation.
- The Company generated income from operations of $17.5 million (Q1 2016 – $8.4 million), an increase of $9.1 million or 109.8% from Q1 2016. The increase is mainly attributable to the Amalgamation as Q1 2017 is the third full quarter in operations reflects the results of the Amalgamation.
- The Company generated total net income and comprehensive income of $12.9 million (Q1 2016 – $7.2 million) or earnings per share $0.18 basic and $0.17 diluted (Q1 2016 – $0.18 basic and diluted). The Company declared $12.6 million in dividends (Q1 2016 – $7.3 million) to common shareholders resulting in a payout ratio of 97.6% (Q1 2016 – 101.6%) on an earnings per share basis. Total dividends to common shareholders has increased as a direct result of the Amalgamation.
- The Company generated distributable income of $13.4 million (Q1 2016 – $7.2 million) or distributable income per share of $0.18 (Q1 2016 – $0.18) resulting in a payout ratio of 94.2% (Q1 2016 – 100.7%) on a distributable income basis.
- On February 7, 2017, the Company closed on an unsecured convertible debenture offering for gross proceeds of $40.0 million plus additional $6.0 million from the over-allotment option and net proceeds of $43.7 million. The unsecured convertible debentures will mature on March 31, 2022 and pay interest semi-annually on March 31 and September 30 at a rate of 5.45% per annum.
- The Board of Directors appointed Cameron Goodnough as President of the Company, effective March 15, 2017.

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Analysis of Financial Information for the Period

Distributable income

	Three months ended March 31, 2017	Three months ended March 31, 2016	Year ended December 31, 2016
Total net income and comprehensive income	$ 12,945	$ 7,177	$ 45,999
Less: amortization of lender fees	(1,734)	(1,037)	(5,720)
Add: lender fees received	1,359	933	5,905
Add: amortization of financing costs, credit facility	279	62	775
Add: amortization of financing costs, debentures	278	89	566
Add: accretion expense, debentures	110	28	135
Add: net operating gain from FPHFS	(64)	(6)	(23)
Add: unrealized fair value adjustments on FPHFS	–	–	1,075
Add: foreign exchange (gain) loss	37	–	(17)
Add: provision for mortgage investments loss	200	–	–
Add: termination of management contracts	–	–	7,438
Add: transaction costs relating to the Amalgamation	–	–	1,657
Less: bargain purchase gain	–	–	(15,154)
Distributable income[1]	**13,410**	**7,246**	**42,636**
Less: dividends on common shares	(12,636)	(7,294)	(39,893)
Under (over) distribution	**$ 774**	**$ (48)**	**$ 2,743**
Distributable income per share	$ 0.18	$ 0.18	$ 0.74

1 Refer to non-IFRS measures section, where applicable.

The distributable income reconciliation above provides a link between the Company's IFRS reporting requirements and its ability to generate recurring cash flows for dividends.

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Statement of net income and comprehensive income

	Three months ended March 31, 2017	Three months ended March 31, 2016	% Change
Net interest income	$ 20,764	$ 10,798	92.3%
Expenses	(3,223)	(2,435)	(32.3%)
Income from operations	17,541	8,363	109.8%
Net operating gain (loss) from foreclosed properties held for sale	64	6	966.7%
Financing costs:			
Interest on credit facility	(2,737)	(527)	(419.3%)
Interest on convertible debentures	(1,923)	(665)	(189.4%)
Net income and comprehensive income	**$ 12,945**	**$ 7,177**	80.4%
Earnings per share (basic)	**$ 0.18**	**$ 0.18**	
Earnings per share (diluted)	**$ 0.17**	**$ 0.18**	

1 Refer to non-IFRS measures section, where applicable.

Net interest income [2]

For Q1 2017, the Company earned net interest income of $20.8 million (Q1 2016 – $10.8 million). Net interest income includes the following:

(a) Interest income

During Q1 2017, the Company earned $25.8 million (Q1 2016 – $9.7 million) in interest income on the net mortgage investments and other investments. For Q1 2017, the increase is mainly partially attributable to the Amalgamation, as Q1 2017 is the third full quarter in operations after the Amalgamation. The weighted average interest rate on net mortgage investments remained stable at 7.3% from Q4 2016 but decreased from 8.9% from Q1 2016 which is in-line with management's expectations.

(b) Lender fee income

During Q1 2017, the Company received non-refundable cash lender fees of $1.4 million (Q1 2016 – $0.9 million), or a weighted average lender fee of 1.1% (Q1 2016 – 1.8%; Q4 2016 – 0.8%). Lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income but are received upfront. For Q1 2017, lender fees of $1.7 million (Q1 2016 – $1.0 million) were amortized to lender fee income. Lender fees continue to be a significant component of income as a result of mortgage investment turnover. The Manager does not retain any portion of the lender fees in order to ensure management's interests are aligned with the shareholders.

Expenses

For Q1 2017, the expense ratio was 1.1% (Q1 2016 – 2.2%), including a fixed expense ratio of 1.1% (Q1 2016 – 1.6%). The decrease in expense ratio is mainly driven by higher total assets base in Q1 2017 compared to Q1 2016. Concurrent with the Amalgamation, the Company has entered into a new management agreement with the Manager, which has reduced management fees from 1.20% to 0.85% and included the removal of performance fees.

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

Management fees

(a) Management fees

Concurrently with the Amalgamation, the Company and the Manager entered into a new management agreement. The new management fee is equal to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. Gross Assets is defined as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities related to syndicated mortgage investments that are held by third parties.

The previous management agreement between TMIC and the Manger was terminated on the Effective Date and the old management fee was 1.20% per annum of the gross assets of TMIC, plus applicable taxes.

For Q1 2017, the Company incurred management fees of $2.5 million plus applicable taxes (Q1 2016 – $1.6 million). The increase is directly related to the increase in gross assets averaging $1,056.6 million in Q1 2017, compared to $457.6 million in Q1 2016.

Servicing and performance fees

(a) Servicing fees

As part of the new management agreement, the Manager is entitled to a servicing fee equal to 0.10% per annum, plus applicable taxes, of the amount of any senior tranche of a mortgage asset that is syndicated by the Manager to a third party investor on behalf of the Company, where the Company retains the corresponding subordinated portion.

For Q1 2017, the Company incurred $0.2 million in servicing fees plus applicable taxes.

(b) Performance fees

Under the management agreement prior to the Amalgamation, the Manager was entitled to a performance fee from TMIC equal to 20%, plus applicable taxes, of the net earnings available for distribution to shareholders in excess of the hurdle rate (the "Hurdle Rate"), which is defined as the average two-year Government of Canada Bond Yield for the 12-month period then ended plus 450 basis points. Under the new management agreement, the Manger does not receive any performance fees.

During Q1 2016, the Company accrued $0.6 million in performance fees. Performance fees of $1.2 million were accrued up to June 29, 2016, prior to the Amalgamation and were paid to the Manager upon termination of the management agreement in August 2016. During Q1 2016, the Company incurred performance fees of $0.6 million.

As consideration for the termination of the performance fee and the reduction in management fees from 1.2% to 0.85% under the new management agreement, TMIC issued a one-time payment to the Manager in the form of 782,830 TMIC shares and $0.9 million for the related HST portion in cash.

General and administrative

For Q1 2017, the Company incurred general and administrative expenses of $369 (Q1 2016 – $277). General and administrative expenses consist mainly of audit fees, professional fees, director fees, other operating costs and administration of the mortgage investments portfolio.

Net operating gain (loss) from foreclosed properties held for sale

The Company consolidates the operating activities of the FPHFS. The net operating gain from FPHFS for Q1 2017 was $64 (Q1 2016 – $6).

Fair value adjustment on foreclosed properties held for sale

During Q1 2017, the Company did not record an unrealized fair value gain or loss on FPHFS (Q1 2016 – nil).

Interest on credit facility

The Company actively monitors its advances and repayments while efficiently using bankers' acceptances for the majority of its borrowings to minimize interest costs. Financing costs include interest paid on amounts drawn on the credit facility, standby fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for Q1 2017 relating to the credit facility were $2.7 million (Q1 2016 – $0.5 million). The increase over the Q1 2017 is directly related to the increase in credit facility utilization. During Q1 2017, the average credit utilization was $299.9 million compared to $52.2 million during Q1 2016.

In connection with the Amalgamation, the TMIC credit facility and the TSMIC credit facility were amended and restated in their entirety under the new credit facility. The interest rates incurred on the new credit facility have decreased from TMIC's previous credit facility. Interest rates have been lowered to either the prime rate of interest plus 1.25% per annum (Q1 2016 – 1.50%) or bankers' acceptances with a stamping fee of 2.25% (Q1 2016 – 2.50%).

Interest on convertible debentures

The Company has $34.5 million of 6.35% convertible unsecured subordinated debentures, $45.8 million of 5.40% convertible unsecured subordinated debentures and $46.0 million of 5.45% convertible unsecured subordinated debentures outstanding as at March 31, 2017. Interest costs related to the debentures are recorded in financing costs using the effective interest rate method.

On February 7, 2017, the Company issued a convertible unsecured subordinated debenture bearing interest at a fixed rate of 5.45% for gross proceeds of $46.0 million. The convertible unsecured subordinated debentures will mature on March 31, 2022 and pay interest semi-annually on March 31st and September 30th.

For Q1 2017, interest on the debentures of $1.9 million (Q1 2016 – $0.7 million), is made up of the following:

	Three months ended March 31,	
	2017	2016
Interest on the convertible debentures	$ 1,535	$ 548
Amortization of issue costs	278	89
Accretion of the convertible debentures	110	28
	$ 1,923	**$ 665**

Earnings per share

For Q1 2017, basic earnings per share were $0.18 (Q1 2016 – $0.18) and diluted earnings per share were $0.17 (Q1 2016 – $0.18).

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.

Statements of Financial Position

Net mortgage investments

The balance of net mortgage investments is as follows:

	March 31, 2017	December 31, 2016
Mortgage investments, including mortgage syndications	$ 1,591,767	$ 1,547,398
Mortgage syndication liabilities	(561,324)	(541,054)
	1,030,443	1,006,344
Interest receivable	(15,950)	(14,084)
Unamortized lender fees	6,274	6,736
Allowance for mortgage investments loss	1,350	1,150
Net mortgage investments	**$ 1,022,117**	**$ 1,000,146**

	Three months ended		Year ended
	March 31, 2017	March 31, 2016	December 31, 2016
Net mortgage investments statistics and ratios[1]			
Total number of net mortgage investments	120	101	122
Average net mortgage investment	$ 8,518	$ 4,317	$ 8,198
Average net mortgage investment portfolio	$ 1,015,729	$ 436,492	$ 701,263
Weighted average interest rate for the period	7.3%	8.9%	7.9%
Weighted average lender fees on mortgage investments	1.0%	1.8%	1.2%
Turnover ratio	7.3%	14.5%	48.9%
Weighted average term (years)	2.4	2.1	2.4
Remaining term to maturity (years)	1.3	1.1	1.3
Net mortgage investments secured by cash-flowing properties	88.6%	86.3%	86.7%
Weighted average loan-to-value	67.2%	69.5%	66.4%

1. Refer to non-IFRS measures section, where applicable.

Portfolio allocation

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

(a) Security Position

	March 31, 2017		December 31, 2016	
	# of Net Investments	% of Net Investments	# of Net Investments	% of Net Investments
First mortgages	102	86.5%	102	84.1%
Non-first mortgages	18	13.5%	20	15.9%
	120	**100.0%**	**122**	**100.0%**

(b) Region

	March 31, 2017		December 31, 2016	
	# of Net Investments	% of Net Investments	# of Net Investments	% of Net Investments
ON	55	53.4%	60	54.0%
QC	22	13.0%	21	12.8%
BC	12	12.1%	13	12.4%
AB	10	9.1%	9	8.3%
SK	12	6.8%	10	6.8%
OT	3	3.2%	3	3.2%
NS	2	2.0%	2	2.1%
MB	4	0.4%	4	0.4%
	120	**100.0%**	**122**	**100.0%**

(c) Maturity

	March 31, 2017		December 31, 2016	
	# of Net Investments	% of Net Investments	# of Net Investments	% of Net Investments
Maturing 2017	50	39.3%	63	47.5%
Maturing 2018	39	30.3%	37	31.2%
Maturing 2019	21	19.3%	17	15.3%
Maturing 2020	7	8.1%	2	2.9%
Maturing 2021 and thereafter	3	3.0%	3	3.1%
	120	**100.0%**	**122**	**100.0%**

(d) Asset Type

	March 31, 2017		December 31, 2016	
	# of Net Investments	% of Net Investments	# of Net Investments	% of Net Investments
Multi-residential	63	48.3%	70	49.4%
Retail	13	15.2%	13	15.9%
Hotels	5	8.9%	5	8.8%
Retirement	5	7.7%	5	7.8%
Office	9	7.5%	7	5.8%
Unimproved land	11	6.0%	9	5.7%
Other-residential	3	3.3%	3	3.3%
Industrial	7	2.3%	7	2.4%
Self-storage	2	0.6%	1	0.6%
Single-family residential	2	0.2%	2	0.3%
	120	**100.0%**	**122**	**100.0%**

Other investments

Other investments may include investments in collateralized loans, participating mortgages and marketable securities. The Company has other investments of $25.0 million (December 31, 2016 – $9.8 million). During Q1 2017, the Company generated net interest income and other income of $0.6 million (Q1 2016 – nil). During Q1 2017, the weighted average interest rate earned on other investments was 10.3% (Q1 2016 – nil).

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 $563.6 million (December 31, 2016 – $543.5 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 not necessarily indicative of a future trend.

Foreclosed properties held for sale

The fair value of the remaining FPHFS as at March 31, 207 is $11.0 million (December 31, 2016 – $11.0 million). The Company has engaged third party managers to operate the properties while they are held for sale.

During Q1 2017, the Company did not sell any additional residential units (Q1 2016 – three) of the foreclosed properties. During Q1 2017, the Company did not record any additional unrealized fair value adjustment on any of the FPHFS (Q1 2016 – nil).

Allowance for mortgage investments loss

As at March 31, 2017, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investment other than those previously recorded. At a collective level, the Company assesses for impairment to identify losses that have been incurred, but not yet identified, on an individual basis. As part of the Company's analysis, it has grouped mortgage investments with similar risk characteristics, including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings, and assesses them for impairment using statistical data. Based on the amounts determined by the analysis, the Company uses judgement to determine whether or not the actual future losses are expected to

be greater or less than the amounts calculated. During Q1 2017, a collective impairment of $0.2 million was recognized (Q1 2016 – nil).

As at March 31, 2017, the Company has a specific unrealized impairment allowance of $0.9 million (December 31, 2016 – $0.9 million) and a collective unrealized impairment allowance of $0.45 million (December 31, 2016 –$0.25 million).

As at March 31, 2017, the borrower of a first mortgage investment of $27.8 million (December 31, 2016 – $27.6 million) located in Saskatchewan has filed for protection under the Companies' Creditor Arrangement Act in order to stay all creditors and prepare a plan of arrangement. The Manager has evaluated the current status of the borrower, mortgage and as well as the value of the underlying assets and concluded that there is no objective evidence of impairment.

As at March 31, 2017, the Company has filed for receivership against a borrower of a first mortgage investment of $3.4 million (December 31, 2016 - $3.4 million) located in Ontario. The Manager has evaluated the current status of the borrower, mortgage and as well as the value of the underlying assets and concluded that there is no objective evidence of impairment.

Net working capital

Net working capital increased by $3.7 million to $13.1 million at March 31, 2017 from $9.4 million at December 31, 2016. The increase is mainly due to the higher amount of accrued interest receivable as a result of an increase in the mortgage and other investments.

Credit facility

Concurrent with the Amalgamation, the Company entered into a new credit facility agreement effective June 30, 2016 and will mature in May 2018. The new credit facility has an available credit limit of $350.0 million (December 31, 2016 – $350.0 million) with interest at either the prime rate of interest plus 1.25% per annum (December 31, 2016 – prime rate of interest plus 1.25% per annum) or bankers' acceptances with a stamping fee of 2.25% (December 31, 2016 – 2.25%). The new credit facility has a standby fee of 0.5625% per annum (December 31, 2016– 0.5625%) on the unutilized credit facility balance. The credit facility is secured by a general security agreement over the Company's assets and its subsidiaries. The credit facility also includes an accordion feature that allows the available limit to be increased by up to a further $50.0 million, subject to certain conditions. As at March 31, 2017, the Company's qualified credit facility limit is $337.6 million and is subject to a borrowing base as defined in the new amended and restated credit agreement.

The Company incurred financing costs of $2.1 million relating to the new credit facility, which includes upfront fees, amalgamation fees and legal costs. The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the new credit facility agreement. The unamortized financing costs from the previous credit facility agreement prior to the Amalgamation have been fully amortized at the time of the Amalgamation.

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q1 2017, included in financing costs is interest on the credit facility of $2.5 million (Q1 2016 – $0.5 million) and financing costs amortization of $277 (Q1 2016 – $62).

Convertible debentures

(a) On February 25, 2014, TMIC completed a public offering of $30.0 million, plus an overallotment of $4.5 million on March 3, 2014, of 6.35%, convertible unsecured subordinated debentures for net proceeds of $32.5 million (the "2014 debentures"). The 2014 debentures mature on March 31, 2019 and pays interest semi-annually on March 31 and September 30 of each

year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $11.25 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures. The 2014 debentures are redeemable on and after March 31, 2017 and prior to the maturity date by the Company, subject to certain conditions, 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.

In accordance with the Amalgamation, the Company has assumed the obligations of TMIC in respect of the 2014 debentures in the aggregate principal amount of $34.5 million.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $545, has been recorded as equity with the remainder allocated to long-term debt.

The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $34.5 million. The issue costs of $1.9 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.

(b) On July 29, 2016, the Company completed a public offering of $40.0 million, plus an overallotment option of $5.8 million on August 5, 2016, of 5.40%, convertible unsecured subordinated debentures for net proceeds of $43.1 million (the "2016 debentures"). The 2016 debentures mature on July 31, 2021 and pays interest semi-annually on January 31 and July 31 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The 2016 debentures are redeemable on and after July 31, 2019 and prior to July 31, 2020, by the Company, subject to certain conditions, 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.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $226, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $45.8 million. The issue costs of $2.3 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.

(c) On February 7, 2017, the Company completed a public offering of $40.0 million,, plus an overallotment option of $6.0 million, of 5.45% convertible unsecured subordinated debentures for net proceeds of $43.7 million (the "2017 debentures"). The 2017 debentures mature on March 31, 2022 and pays interest semi-annually on September 30 and March 31 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The 2017 debentures are redeemable on and after March 31, 2020 and prior to March 31, 2021, by the Company, subject to certain conditions, 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.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $1.7 million, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $46.0 million. 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

(a) Common shares

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

As a result of the Amalgamtion, 40,523,728 the Company's common shares were issued to shareholders of TMIC at a ratio of one-to-one; and 32,551,941 of the Company's common shares were issued to shareholders of TSMIC at an exchange ratio of 1.035. The Company also issued 782,830 common shares to the Manager in connection with the termination of management contracts with TMIC.

(b) Dividends

The Company intends to pay dividends monthly within 15 days following the end of each month. During Q1 2017, TF declared dividends of $12.6 million, or $0.171 per share, to the holders of TF common shares (Q1 2016 – $7.3 million, $0.18 per share). As at March 31, 2017, $4.2 million in aggregate dividends (December 31, 2016 – $4.2 million) was payable to the holders of common shares of TF by the Company. Subsequent to Q1 2017, the Board of Directors of the Company declared dividends of $0.057 per common share to be paid on May 15, 2017 to the common shareholders of record on April 28, 2017.

(c) Dividend reinvestment plan

In connection with the Amalgamtion, the DRIP under TMIC was terminated effective June 22, 2016 and a new DRIP was subsequently adopted by the Company on July 13, 2016.

The new DRIP has terms and conditions substantially similar to those of the terminated plan. The DRIP provides eligible beneficial and registered holders of common shares with a means to reinvest dividends declared and payable on such common shares in additional common shares. Under the DRIP, shareholders could enroll to have their cash dividends reinvested to purchase additional common shares. The common shares shares can be issued from the open market based upon the prevailing market rates or from treasury at a price of 98% of the average of the daily volume weighted average closing price on the TSX for the 5 trading days preceding payment, the price of which will not be less than the book value per common share. During Q1 2017, 37,603 common shares were purchased on the open market (Q1 2016 – 96,089), and 112,292 (Q1 2016 – nil) were purchased through treasury.

(d) Normal course issuer bid

On January 4, 2016, TMIC received TSX approval to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to a maximum of 4,105,569 common shares, representing approximately 10% of the public float of common shares as of December 22, 2015. The Bid commenced on January 6, 2016 and provided the Company with the flexibility to repurchase common shares for cancellation until it expired on January 5, 2017. Pursuant to the Amalgamation, the Bid was terminated on the Effective Date.

(e) Non-executive director deferred share unit plan

Pursuant to the Amalgamation, on the Effective Date, the DSU plan for TMIC was terminated and the outstanding DSUs were settled by TMIC in accordance with the terms of the respective plans. As a result, TMIC's outstanding DSUs of 30,497 were cancelled and $300 was paid to the directors in July 2016.

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. Each director is also entitled to an additional 25% of DSUs that are issued in the quarter up to a maximum value of $5 per annum.

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

During Q1 2017, 5,353 units were issued and outstanding and no DSUs were exercised or cancelled resulting in a DSU expense of $50 based on a Fair Market Value of $9.32 per common share. As at March 31, 2017, $41 in quarterly compensation was granted in DSUs, which will be issued subsequent to March 31, 2017 at the Fair Market Value.

STATEMENT OF CASH FLOWS

Cash from operating activities

Cash from operating activities for Q1 2017 was $10.9 million (Q1 2016 – $5.8 million) which was attributable to the Amalgamation as well as an increase in mortgage investments as a result of the 2017 Debentures and the increased credit facility capacity.

Cash from (used in) financing activities

Uses of cash from financing activities for Q1 2017 consisted of the Company's net repayments on the credit facility of $4.3 million (Q1 2016 – $0.8 million). The company received $43.7 millon from the issuance of convertible debentures after issue costs. The Company paid interest on the debentures and credit facility of $1.2 million (Q1 2016 – $1.6 million) and common share dividends of $12.0 million (Q1 2016 – $7.3 million). The net cash provided by financing activities for Q1 2017 was $26.2 million Q1 2016 – $9.7 million).

Cash (used in) from investing activities

Net cash used in investing activities in Q1 2017 was $37.0 million (Q1 2016 – $4.0 million provided by) and consisted of the funding of net mortgage investments of $113.3 million (Q1 2016 – $59.3 million), offset by the repayments of net mortgage investments of $76.3 million, (Q1 2016 – $62.8 million), and proceeds from disposal of FPHFS of nil (Q1 2016 – $0.5 million).

QUARTERLY FINANCIAL INFORMATION

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

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net interest income[1]	$ 20,764	$ 20,583	$ 19,119	$ 10,922	$ 10,798	$ 10,814	$ 10,161	$ 11,532
Expenses	(3,223)	(2,643)	(2,695)	(2,418)	(2,435)	(2,387)	(3,145)	(2,481)
Income from operations[1]	17,541	17,940	16,424	8,504	8,363	8,427	7,016	9,051
Net operating gain (loss) from FPHFS	64	3	53	(39)	6	(28)	25	(30)
Fair value adjustment of FPHFS	–	(500)	(575)	–	–	(374)	–	(150)
Non-recurring transaction costs relating to the Amalgamation	–	(84)	–	6,143	–	–	–	–
Financing costs:								
Interest on credit facility	(2,737)	(2,833)	(2,321)	(600)	(527)	(554)	(208)	(477)
Interest on convertible debentures	(1,923)	(1,448)	(1,178)	(667)	(665)	(566)	(673)	(672)
Total financing costs	(4,660)	(4,281)	(3,499)	(1,267)	(1,192)	(1,120)	(881)	(1,149)
Total net income and comprehensive income (basic)	**$ 12,945**	**$ 13,078**	**$ 12,403**	**$ 13,341**	**$ 7,177**	**$ 6,905**	**$ 6,160**	**$ 7,722**
Total net income and comprehensive income (diluted)[1]	**$ 13,695**	**$ 14,526**	**$ 13,581**	**$ 14,008**	**$ 7,177**	**$ 7,471**	**$ 6,833**	**$ 8,394**
Earnings per share (basic)	**$ 0.18**	**$ 0.18**	**$ 0.17**	**$ 0.33**	**$ 0.18**	**$ 0.17**	**$ 0.15**	**$ 0.19**
Earnings per share (diluted)	**$ 0.17**	**$ 0.18**	**$ 0.17**	**$ 0.32**	**$ 0.18**	**$ 0.17**	**$ 0.15**	**$ 0.19**
Adjusted earnings per share (basic)[1]	**$ 0.18**	**$ 0.18**	**$ 0.17**	**$ 0.18**	**$ 0.18**	**$ 0.17**	**$ 0.15**	**$ 0.19**
Adjusted earnings per share (diluted)[1]	**$ 0.17**	**$ 0.18**	**$ 0.17**	**$ 0.18**	**$ 0.18**	**$ 0.17**	**$ 0.15**	**$ 0.19**

1 Refer to non-IFRS measures section, where applicable.

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) Within expenses, the Company accrues the performance fee payable to the Manager. Given that the performance fee is adjusted for cash items, the volatility of cash receipts in the year (mainly relating to lender fees) will typically have an impact on the amount expensed in any quarter;

(iii) In any given quarter, the Company is subject to volatility from fair value adjustments to FPHFS and provision for mortgage investment loan resulting in fluctuations in quarterly total net income and comprehensive income;

(iv) The utilization of the credit facility to fund mortgage investments results in higher net interest income, which is partially offset by higher financing costs; and

(v) Q2 2016 and Q4 2016 includes one-time amounts relating to the Amalgamtion which includes termination of management contracts, transaction costs relating to the Amalgamtion and bargain purchase gain.

RELATED PARTY TRANSACTIONS

As at March 31, 2017, Due to Manager includes mainly management and servicing fees payable of $0.9 million (December 31, 2016 - $0.8 million).

As at March 31, 2017, included in other assets is $1.9 million (December 31, 2016 – $0.8 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 funding holdbacks and prepaid mortgage interest received from various borrowers.

As at March 31, 2017, the Company has four mortgage investments which an independent director of the Company is also an officer and/or part-owner of the borrowers of these mortgages:

- A mortgage investment with a total gross commitment of $84.1 million (December 31, 2016 – $84.1 million). The Company's share of the commitment is $29.1 million (December 31, 2016 – $29.1 million), of which $8.5 million (December 31, 2016 – $7.3 million) has been funded as at March 31, 2017.

- A mortgage investment with a total gross commitment of $15.6 million (December 31, 2016 – $15.6 million). The Company's share of the commitment is $6.0 million (December 31, 2016 – $6.0 million), of which $3.6 million (December 31, 2016 – $3.6 million) has been funded as at March 31, 2017.

- A mortgage investment with a total gross commitment of $6.0 million (December 31, 2016 – $6.0 million). The Company's share of the commitment is $5.1 million (December 31, 2016 – $5.1 million), of which $2.0 million (December 31, 2016 – $2.0 million) has been funded as at March 31, 2017.

- A mortgage investment with a total gross commitment of $1.9 million (December 31, 2016 – $1.9 million). The Company's share of the commitment is $1.9 million (December 31, 2016 – $1.9 million), of which $1.9 million (December 31, 2016 – $1.9 million) has been funded as at March 31, 2017.

As at March 31, 2017, the Company, Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), Timbercreek Global Real Estate Fund and Timbercreek Canadian Direct LP, related parties as all are managed by the Manager, co-invested in fourteen gross mortgage investments totaling $290.5 million (December 31, 2016 – $254.9 million). The Company's share in these gross mortgage investments is $126.7 million (December 31, 2016 – $109.5 million). Included in these amounts are two net mortgage investments (December 31, 2016 – two) of $18.5 million (December 31, 2016 – $17.7 million) loaned to a limited partnership in which T4Q is invested..

The above related party transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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 loans. 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 unaudited condensed consolidated interim financial statements, the Manager has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in the unaudited condensed consolidated interim financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the unaudited condensed consolidated interim financial statements are as follows:

Mortgage investments

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. Specifically, the Company will consider loss events including, but not limited to: (i) payment default by a borrower; (ii) whether security of the mortgage negatively impacted by some event; and (iii) financial difficulty experienced by a borrower. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

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

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 Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager 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.

Information about the assumptions made in measuring fair value is included in notes 5, 6 and 18 to the unaudited condensed consolidated interim financial statements for the period ended March 31, 2017.

Convertible debentures

The Manager exercises judgement in determining the allocation of the debt and liability components of convertible debentures. The liability allocation is based upon the fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component.

Business Combinations

The Manager exercised judgement in determining the accounting treatment of the Amalgamation as described in note 4 of the unaudited condensed consolidated interim financial statements for the period ended March 31, 2017, which was accounted for in accordance with IFRS 3 – Business Combinations ("IFRS 3"). The Manager considered the guidance in IFRS 3 in determining which entity is considered the "acquirer" based on the relative voting rights in the combined entity after the transaction, the composition of the governing body of the combined entity and the terms of the exchange of equity interests, among others.

CHANGES IN ACCOUNTING POLICIES

(i) Annual Improvements to IFRS (2014-2016) Cycle

On December 8, 2016 the IASB issued narrow-scope amendments to *IFRS 12 Disclosures of Interests in Other Entities ("IFRS 12")* as part of its annual improvements process. A clarification was made that IFRS 12 also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017.

(ii) Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016 the IASB issued *Disclosure Initiative (Amendments to IAS 7)*. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations are effective in future periods and have not been applied in preparing these unaudited condensed consolidated interim financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to *IFRS 2 Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.
The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

(ii) IFRS 9, Financial Instruments (“IFRS 9”)

On July 24, 2014, the IASB issued *IFRS 9 (2014)*. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new “expected credit loss” model for calculating impairment. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions with early adoption permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(iii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall within the scope of other IFRSs. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with earlier application permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue: Barter Transactions Involving Advertising Services. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the new standard to have a material impact on the financial statements

OUTSTANDING SHARE DATA

As at May 3, 2017, the Company's authorized capital consists of an unlimited number of common shares, of which 73,971,811 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 the credit facility. The Company has a borrowing ability of $350 million through its credit facility and intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at March 31, 2017, the Company is in compliance with its credit facility 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 as at March 31, 2017, including expected interest payments:

	Carrying Values	Contractual cash flows	Within a year	Following year	3-5 years
Accounts payable and accrued expenses	$ 1,544	$ 1,544	$ 1,544	$ –	$ –
Dividends payable	4,214	4,214	4,214	–	–
Due to Manager	893	893	893	–	–
Mortgage funding holdbacks	793	793	793	–	–
Prepaid mortgage interest	1,068	1,068	1,068	–	–
Credit facility[1]	296,279	308,975	11,703	297,272	–
Convertible debentures[2]	119,164	153,360	43,682	4,980	104,698
Total liabilities	$ 423,955	$ 470,847	$ 63,897	$ 302,252	$ 104,698
Unadvanced gross mortgage commitments[3]	–	191,365	191,365	–	–
Total contractual liabilities	**$ 423,955**	**$ 662,212**	**$ 255,262**	**$ 302,252**	**$ 104,698**

1 Includes interest based upon the current prime interest rate plus 1.25% on the credit facility, assuming the outstanding balance is not repaid until its maturity on May 6, 2018.

2 The 2014 debentures are assumed to be redeemed on March 31, 2017 as they are redeemable on and after March 31, 2017, the 2016 debentures are assumed to be redeemed on July 31, 2019 as they are redeemable on and after July 31, 2019, and the 2017 debentures are assumed to be redeemed on March 30, 2020 as they are redeemable on and after March 30, 2020.

3 Unadvanced mortgage commitments include syndication commitments from third party investors totaling $55.0 million.

As at March 31, 2017, the Company had a cash position of $120 (December 31, 2016– $61) and an unutilized credit facility balance of $41.3 million (December 31, 2016 – $49.4 million). The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the credit facility. Included within the unadvanced mortgage commitments is $55.0 million (December 31, 2016 – $82.3 million) relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

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 loans 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 funding holdbacks, prepaid mortgage interest, credit facility, convertible debentures 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 loans 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.

(a) Interest-rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of March 31, 2017, $134.7 million of net mortgage investments bear interest at variable rates. Of these, $122.3 million of net mortgage investments include a "floor rate" to protect their negative exposure or a "ceiling rate", while two mortgage investments totalling $12.4 million bear interest at a variable rate without a "floor rate". If there were a decrease of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments would be a decrease in net income of $62. However, if there were a 0.50% increase in interest rates, with all other variables constant, it would result in an increase in net income of $673. The Company manages its sensitivity to interest rate fluctuations by generally entering into fixed rate mortgage investments or adding a "floor-rate" to protect its negative exposure.

As at March 31, 2017, $25.0 million of the other investment bear interest at fixed rates.

In addition, the Company is exposed to interest rate risk on the credit facility, which has a balance of $296.3 million as at March 31, 2017. Based on the outstanding credit facility balance as at March 31, 2017, a 0.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income by $1,481 annually.

The Company's other assets, interest receivable, accounts payable and accrued expenses, prepaid mortgage interest, mortgage funding holdbacks, dividends payable and due to Manager have no exposure to interest rate risk due to their short-term nature. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk and the debentures have no exposure to interest rate risk due to their fixed interest rate.

(b) Currency risk

Currency risk is the risk that the carrying value of net mortgage investments and other investments will fluctuate due to changes in foreign exchange rates. Currency risk arises from net mortgage investments and other investments that are denominated in a currency other than the Canadian dollar, which represents the functional currency of the Company.

The maximum exposure to currency risk at March 31, 2017 is the carrying values of its net mortgage and other investments that are not denominated in Canadian dollars, in addition to interest receivable recorded within other assets of $34 (December 31, 2016 – $34), amounting to $4.1 million (December 31, 2016 – $3.9 million). If there was a weakening or strengthening of the Canadian dollar by 1%, with all other variables constant, will increase or decrease net income by $41 annually.

(c) Credit risk

Credit risk is the possibility 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 investments are approved by the investment committee before funding; and

(iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The maximum exposure to credit risk at March 31, 2017 is the carrying values of its net mortgage and other investments, in addition to interest receivable recorded within other assets of $1.9 million (December 31, 2016 – $1.0 million), amounting to $1,065 million (December 31, 2016 – $1,025 million). The Company has recourse under these mortgage investments in the event of default by the borrower, in which case the Company would have a claim against the underlying collateral.

(c) 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.

For a full discussion of the risks and uncertainties affecting the Company, please also refer to the "Risk Factors" section of our AIF for the period.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company evaluated, or caused to be evaluated under their direct supervision, the design of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")) at March 31, 2017 and, based on that evaluation, have concluded that the design of such disclosure controls and procedures was appropriate.

The Manager is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The CEO and the CFO assessed, or under their direct supervision caused an assessment of, the design of the Company's internal controls over financial reporting as at December 31, 2016 in accordance with the COSO Internal Control – Independent Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment they determined that the design of the Company's internal controls over financial reporting was appropriate.

There were no changes made in our design of internal controls over financial reporting during the period ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

ADDITIONAL INFORMATION

Phone

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Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at (416) 923-9967 ext. 7266 (collect if long distance).

Internet

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