Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the year ended December 31, 2021



Management's Discussion and Analysis

For the three months and year ended December 31, 2021 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 Timbercreek Capital Inc. ("Manager"), a subsidiary and as successor in interest 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, impacts as a result of COVID-19, 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 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 23, 2022. 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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 year ended December 31, 2021. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2021 and 2020, 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 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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 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 is one of the main contributors to net investment income and distributable income.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

- 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 does not necessarily provide a complete measure of the Company's operating performance as IFRS net income includes 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 on an investment measured at FVTPL as well as non-recurring foreign currency gains on an 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

- 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 Q4 2021 distributable income and adjusted distributable income of \$16.2 million or \$0.20 per share, representing a payout ratio of 87.6%. The full-year 2021 payout ratio on distributable income was 91.8% versus 97.3% for 2020 (the 2021 payout ratio on adjusted distributable income was 92.9% versus 97.3% for 2020). This is consistent with Management's intent to keep the annualized distributable and adjusted distributable income payout ratio in the mid-90% range. The Q4 2021 results are reflective of an active period on the funding front and healthy transaction volume, resulting in increased weighted-average net mortgage investments over the prior period along with higher lender fee income.

The Company's portfolio continues to perform well with all loans current and paying interest. As we continue to work through the pandemic environment, management has remained very focused on asset and risk management. The overriding objective remains to optimize the risk/return parameters of the portfolio and deliver a stable dividend for our investors.

The fourth quarter saw net new mortgage fundings of \$209.8 million, advances on existing mortgages of \$125.8 million and net mortgage repayments of \$263.8 million. While competition for lower risk asset categories such as multi-family remains robust, the Company continues to win its expected share of investments and the pipeline remains strong heading into 2022. Strategically, the team is very pleased with the initial results from the opening of its Montreal office which has resulted in strong origination activity from Eastern Canada. This is an important portfolio diversification initiative and will see us increase exposure to the large and diversified Quebec economy, while remaining disciplined and prudent in key Alberta markets that have had more significant and prolonged cyclical challenges.

Also during Q4 2021 and early 2022, several balance sheet activities occurred that will enhance the liquidity position and profitability of the Company. We closed a \$46.0 million, 5.00% 7-year convertible debenture, representing a historically low rate for the Company. In addition, 537,100 shares were issued under an ATM program in Q4 2021 (for gross proceeds of \$5.2 million) at an average price of \$9.67. Lastly, effective February 10, 2022, the credit facility – mortgage investments was upsized by \$40.0 million enabling the Company to continue to seek out more opportunities for growth. From a profitability perspective, we previously had a 4.00% fixed rate interest rate swap contract on \$250 million of this same credit facility – which expired in December 2021. This \$250 million balance is now priced on a floating rate basis of 200 basis points over bankers' acceptances (approximately 2.40% at year-end 2021).

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

As part of Timbercreek's portfolio optimization plans, and in consultation with its investment partners, the Company has also reached decisions to enter a disposition process both for the multi-family investment property portfolio and a liquidation process mortgage investments carried at FVTPL. Exiting these low income-generating positions will allow the Company to reinvest this capital in mortgages that will be accretive to distributable income – the core strategy. On the multi-family investment property portfolio, we are currently in late stage negotiations on a potential transaction. On the mortgage investments carried at FVTPL, the Company is in negotiations with its partner to realign interests in various properties such that the Company can move forward with a disposition process. A fair value loss has been recorded in Q4 2021 to reflect the disposition strategies of these assets.

Looking forward into 2022, the operating environment is likely to be noticeably improved than the previous two years. Commercial real estate transaction activity is increasing and we expect reduced COVID-19 restrictions will continue to positively impact on transaction activity. Separately, numerous supply-side factors will likely keep inflation a significant story in the near to medium term. Like many other investors, we expect this will result in rising interest rates sometime in Q1 2022, which should have a positive effect on distributable income for the Company as the vast majority of our new and existing loans are floating rate investments.

PORTFOLIO ACTIVITY

In Q4 2021 the Company funded 17 new net mortgage investments totaling \$209.8 million and made additional advances of \$125.8 million. Portfolio turnover increased to 23.3% (with fully discharged and partially discharged net mortgage investments totaling \$263.8 million), compared with 17.11% in Q3 2021. This resulted in the net value of the mortgage portfolio, excluding syndications, to be higher by \$63.6 million (from \$1,096.0 million in Q3 2021 to \$1,159.6 million at the end of Q4 2021). The amount drawn on the credit facility funding mortgage investments was \$420.0 million at the end of Q4 2021, compared to \$402.1 million at the end of Q3 2021. With approximately \$115.0 million available on the credit facility, Timbercreek Financial continues to be in a strong liquidity position entering Q1 2022.

At the end of Q4 2021, 88.3% of the mortgage investments were secured by income-producing properties, compared to 87.1% in Q3 2021. Multi-residential real estate assets (apartment buildings) comprise the largest portion of the portfolio at 48.0% at quarter end, compared to 49.4% in Q3 2021.

In the fourth quarter, collections continued to remain high and largely unaffected by COVID-19 which highlights the creditworthiness and financial capacity of our existing borrower base.

Our exposure to first mortgages was 93.2% of the net mortgage portfolio at year end. Our weighted average loan-to-value ratio remained fairly consistent with the prior quarter at 70.1% compared to 69.6% in Q3 2021. Our weighted average interest rate for the period was 6.9% in Q4 2021 with an exit rate of 6.8% as at December 31, 2021, a slight change from 7.0% as at and for the period ended September 30, 2021.

The weighted average interest rate in the existing portfolio is well protected at the end of Q4 2021, due to floating rate loans with rate floors representing 84.6% of the portfolio(Q3 2021 - 82.7% and Q4 2020 - 78.1%). The high percentage of floating rate loans with rate floors has muted the impact of interest rate cuts in prior periods and pricing on recent transactions has remained relatively unchanged.

The net mortgage portfolio remains heavily weighted toward Canada's largest provinces, with approximately 97.5% of the mortgage portfolio invested in Ontario, British Columbia, Quebec and Alberta, the majority of which are in urban markets that generally experience better real estate liquidity and thus offer a better risk profile.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

The Company continued to monitor its FVTPL financial assets and investment properties in the period for any significant changes in fair value as it related to market movements, impacts of COVID-19 and business plans of the underlying assets. In the period, the Company changed its realization strategy for these assets to an exit strategy versus earlier plans to develop/redevelop the assets. Accordingly, the Company recorded a fair value loss on its FVTPL loans of \$8.3 million and a loss on investment properties of the \$4.4 million during the quarter reflecting comparable land and property values.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL POSITION INFORMATION

POSITION INFORMATION	Dece	mber 31, 2021	Decei	mber 31, 2020	Dece	mber 31, 2019
Net mortgage investments ¹	\$	1,159,634	\$	1,143,121	\$	1,244,082
Enhanced Return Portfolio ¹	\$	84,603	\$	91,640	\$	78,247
CAPITAL STRUCTURE						
Total assets	\$	1,732,064	\$	1,711,462	\$	1,797,506
Total liabilities	\$	1,047,481	\$	1,026,412	\$	1,069,114
Shareholders' equity	\$	684,583	\$	685,050	\$	728,392
Book value per share	\$	8.33	\$	8.47	\$	8.75
Convertible debentures, par	\$	146,000	\$	91,000	\$	136,800
Credit facility (investment properties)	\$	30,690	\$	30,656	\$	30,622
Credit facility (mortgage investments)	\$	419,179	\$	458,299	\$	459,767
Total debentures and credit facility utilized	\$	595,869	\$	579,955	\$	627,189
Maximum credit limit available	\$	711,690	\$	656,690	\$	667,490
Credit utilization rate		83.7 %		88.3 %		78.0 %
COMMON SHARE INFORMATION						
Number of common shares outstanding		82,219,602		80,887,433		83,254,130
Closing trading price	\$	9.61	\$	8.65	\$	9.93
Market capitalization	\$	790,130	\$	699,676	\$	826,714

^{1.} Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

OPERATING RESULTS¹

		Three mo		ns ended mber 31,					Year ended December 31,		
NET INCOME AND COMPREHENSIVE INCOME		2021		2020		2021		202	0	2019	
Net Investment Income on financial assets measured at amortized cost	\$	22,378	\$	23,958	\$	90,249	\$	95,940	\$	98,514	
Total fair value (loss) gain and other income on financial assets measured at FVTPL	\$	(7,404)	\$((14,918)	\$	(10,291)	\$	(16,778)	\$	923	
Net rental income	\$	389	\$	373	\$	1,499	\$	1,453	\$	1,440	
Total fair value loss on investment properties	\$	(4,374)	\$	_		(4,374)	\$		\$	_	
Expenses	\$	3,761	\$	5,560	\$	16,237		18,024		15,863	
Income from operations	\$	7,228	\$	3,853	\$	60,846	\$	62,591	\$	85,014	
Financing costs:											
Financing cost on credit facilities	\$	4,045	\$	4,397	\$	16,734	\$	18,025	\$	21,886	
Financing cost on convertible debentures	\$	1,767	\$	1,919	\$	6,745	\$	8,624	\$	8,801	
Fair value (gain) loss on derivative contract	\$	(994)	\$	(850)	\$	(3,940)	\$	3,940	\$	_	
Net income (loss) and comprehensive income	\$	2,410	\$	(1,613)	\$	41,307	\$	32,002	\$	54,740	
Payout ratio on earnings per share		587.6 %		n/a		135.9 %)	176.4	%	104.3 %	
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME. Net income (loss) and comprehensive income. Add: fair value (gain) loss on derivative contract (interest rate swap).	1E \$ \$	2,410 (994)	\$	(1,613) (850)	Ċ	41,307 (3,940)	\$	32,002 3,940	\$	54,740 —	
Add: net unrealized loss on financial assets measured at FVTPL	\$	8,237 4,374	\$	15,477	\$	13,748 4,374	\$	18,949	\$	188	
Add: Net unrealized loss on investment properties	Ψ	4,574	Ψ		Ψ	4,574	Ψ		Ψ		
Adjusted net income and comprehensive income ¹	\$	14,027	\$	13,014	\$	55,489	\$	54,891	\$	54,928	
Payout ratio on adjusted earnings per share ¹		100.9 %		107.2 %		101.2 %)	102.8	%	104.3 %	
PER SHARE INFORMATION											
Dividends declared to shareholders	\$	14,160	\$	13,953	\$	56,142	\$	56,447	\$	57,078	
Weighted average common shares (in thousands)		82,011		80,887		81,325		81,870		82,664	
Dividends per share	\$	0.17	\$	0.17	\$	0.69	\$	0.69	\$	0.69	
Earnings per share (basic)	\$	0.03	\$	(0.02)	\$	0.51	\$	0.39	\$	0.66	
Earnings per share (diluted)	\$	0.03	\$	(0.02)	\$	0.51	\$	0.39	\$	0.66	
Adjusted earnings per share (basic) ¹	\$	0.17	\$	0.16	\$	0.68	\$	0.67	\$	0.66	
Adjusted earnings per share (diluted) ¹	\$	0.17	\$	0.16	\$	0.68	\$	0.67	\$	0.66	

^{1.} Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

OPERATING RESULTS¹

		Three		nths ended cember 31,				Year ended ecember 31,
DISTRIBUTABLE INCOME		2021		2020		2021		2020
Adjusted net income and comprehensive income ¹	\$	14,027	\$	13,014	\$	55,489	\$	54,891
Less: amortization of lender fees		(2,135)		(2,929)		(9,275)		(10,110)
Add: lender fees received and receivable		3,720		1,813		10,746		7,660
Add: amortization of financing costs, credit facility		189		249		1,022		953
Add: amortization of financing costs, debentures		199		470		1,060		1,458
Add: accretion expense, debentures		77		79		323		271
Add: unrealized fair value (gain) loss on DSU		(17)		(99)		104		(99)
Add: allowance for expected credit loss		103		2,024		1,660		2,994
Distributable income ¹	\$	16,163	\$	14,621	\$	61,129	\$	58,018
Payout ratio on distributable income ¹		87.6 %		95.4 %		91.8 %	0	97.3 %
ADJUSTED DISTRIBUTABLE INCOME Distributable income	\$	16,163	\$	14,621	\$	61,129	\$	E0 040
Less: One-time distribution income	Ф	10,103	Ф	14,021	Ф	•	Ф	58,018
Adjusted Distributable income ¹	\$	16,163	\$	14,621	\$	(707) 60,422	\$	58.018
Payout ratio on adjusted distributable income ¹	Ψ	87.6 %	φ	95.4 %	T	92.9 %	_	97.3 %
rayout ratio off adjusted distributable income		07.0 /0		95.4 /0		32.3 /	0	97.5 /6
PER SHARE INFORMATION								
Dividends declared to shareholders	\$	14,160	\$	13,953	\$	56,142	\$	56,447
Weighted average common shares (in thousands)		82,011		80,887		81,325		81,870
Dividends per share	\$	0.17	\$	0.17	\$	0.69	\$	0.69
Distributable income per share ¹	\$	0.20	\$	0.18	\$	0.75	\$	0.71
Adjusted distributable income per share ¹	\$	0.20	\$	0.18	\$	0.74	\$	0.71

^{1.} Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

For the three months ended December 31, 2021 ("Q4 2021") and December 31, 2020 ("Q4 2020")

- The Company funded 17 new net mortgage investments (Q4 2020 11) totaling \$209.8 million (Q4 2020 \$212.5 million), and made additional advances on existing net mortgage investments totaling \$125.8 million (Q4 2020 \$68.4 million). New funding was mainly comprised of multi-residential real estate and retirement properties, and the weighted average interest rate on net mortgages funded was 6.0%, reflecting some modest rate compression in the market over the past several quarters, particularly in the multi-residential real estate class. The Company fully discharged 19 net mortgage investments (Q4 2020 24) and partially discharged net mortgage investments totaling \$263.8 million (Q4 2020 \$275.5 million). The weighted average interest rate on fully discharged net mortgage investments was 6.8%. The quarterly weighted average interest rate on net mortgage investments was 6.9% in Q4 2021, compared to 7.2% in Q4 2020 (Q3 2021 7.1%), reflecting a slight overall rate reduction.
- Funding of new and existing net mortgage investments of \$335.6 million, offset by repayments of \$263.8 million, resulted in a higher net mortgage investment portfolio of \$1,159.6 million, compared to \$1,143.1 million at the end of Q4 2020 (Q3 2021.—\$1,096.0 million)
- Turnover ratio was 23.3% for Q4 2021 compared to 19.6% in Q4 2020. The increase is largely attributed to the higher funding activity in Q4 2021, offset with lower repayments.
- Other investments within the enhanced return portfolio were \$71.2 million (Q4 2020 \$74.4 million), a net decrease of \$8.9 million in the quarter, primarily due to the discharge of collateralized loan investments.
- Net investment income on financial assets measured at amortized cost decreased by \$1.6 million from the
 previous year (\$22.4 million in Q4 2021 compared to \$24.0 million in Q4 2020), primarily attributable to lower
 average net mortgage investments at amortized cost in Q4 2021 (\$1,067.6 million in Q4 2021 compared to
 \$1,124.2 million in Q4 2020) and slight interest rate compression over the periods.
- Fair value loss and other income on financial assets measured at FVTPL decreased from a loss of \$14.9 million in Q4 2020 to a loss of \$7.4 million in Q4 2021, resulting primarily from fair value losses on mortgage investments recorded in Q4 2021 of \$8.3 million versus a loss of \$15.5 million in Q4 2020. The losses in the period reflect the Company's change in realization strategy of the assets to an exit strategy versus a development/redevelopment strategy as was the case in prior periods. Fair value loss on investment properties was \$4.4 million in Q4 2021 (Q4 2020 nil) due to a decrease in the stabilized net operating income of the properties.
- Income from operations saw a \$3.3 million increase over the prior year (\$7.2 million in Q4 2021 compared to \$3.9 million in Q4 2020) largely driven by lower fair value losses.
- Weighted average interest rate in the existing portfolio was well protected at the end of Q4 2021 with 9.8% fixed rate exposure (Q4 2020 14.4%) and floating rate loans with rate floors representing 84.6% (Q4 2020 78.1%). The remaining 5.6% of the portfolio is allocated to floating rate loans without floors. This is consistent with the overall asset allocation strategy shift toward floating rate assets.
- Non-refundable lender fees recorded were \$3.7 million (Q4 2020 \$1.8 million), primarily driven by increased renewal and commitment fees during Q4 2021. The quarterly weighted average lender fees on new and renewed mortgages was 0.9% during the quarter (Q4 2020 0.7%), while the quarterly weighted average lender fee on new mortgages only was 1.3% (Q4 2020 1.5%).
- The Company recorded a \$1.0 million fair value gain from a 2-year interest rate swap contract (the "Contract") entered into in December 2019. The fair value gain relating to the Contract is recorded at FVTPL in accordance with IFRS, which expired at par upon maturity in December 2021 and was not renewed.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

- General and administrative expenses were \$484 (Q4 2020 \$298). Excluding a net foreign exchange gain of \$18, general and administrative expenses were \$502 for the quarter, representing an increase of \$200 over Q4 2020 mainly driven by higher costs associated with marketing fees, filing fees, shareholder reporting, legal and investor relations fees.
- Excluding the \$1.0 million fair value gain arising from the Contract, the unrealized loss from financial assets measured at FVTPL of \$8.2 million (Q4 2020 \$15.5 million) and the \$4.4 million loss on investment properties (Q4 2020 nil), the Company generated adjusted net income and comprehensive income of \$14.0 million (Q4 2020 \$13.0 million) or basic and diluted adjusted earnings per share of \$0.17 (Q4 2020 basic and diluted of \$0.16). The Company declared \$14.2 million in dividends to common shareholders (Q4 2020 \$14.0 million), representing a payout ratio of 100.9% (Q4 2020 107.2%) on an adjusted earnings per share basis.
- The Company generated distributable income and adjusted distributable income of \$16.2 million (Q4 2020 \$14.6 million) or distributable income and adjusted distributable income per share of \$0.20 (Q4 2020 \$0.18), representing a payout ratio of 87.6% (Q4 2020 95.4%) on an adjusted distributable income basis.
- The Company launched and commenced its at-the-market equity program in June 2021 which allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to \$90.0 million. In the quarter, the Company has issued 537,100 common shares for gross proceeds of \$5.2 million at an average price of \$9.69 per common share.
- 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 will mature on December 31, 2028 and will accrue interest at the rate of 5.00% per annum payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2022.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

For the years ended December 31, 2021 ("2021") and December 31, 2020 ("2020")

- The Company funded 49 new net mortgage investments (2020 42) totaling \$487.3 million (2020 \$451.3 million), made additional advances on existing net mortgage investments totaling \$279.0 million (2020 \$146.0 million) and fully discharged 56 net mortgage investments (2020 55) and partially discharged net mortgage investments totaling \$736.2 million (2020 \$678.8 million). As a result, the net mortgage investment portfolio as at December 31, 2021 increased by \$16.5 million, including a fair value loss of \$13.6 million, to \$1,159.6 million (December 31, 2020 \$1,143.1 million), or 1.4% from December 31, 2020.
- Other investments within the enhanced return portfolio were \$71.2 million, including an allowance for credit loss of \$0.9 million (December 31, 2020 \$74.4 million and \$1.6 million, respectively). The net decrease of \$3.2 million was mainly due to discharges of collateralized loan investments, and foreign exchange translation, which is partially economically hedged through current cross currency or forward contracts.
- Net mortgage investments of \$1,159.6 million bore a weighted average interest rate of 6.8% as at December 31, 2021 (December 31, 2020 \$1,143.1 million, 7.2%), decrease year-over-year resulting from slight rate compression observed as well as higher rate loans repaying in the period.
- Net investment income on financial assets measured at amortized cost was \$90.2 million (2020 \$95.9 million), a decrease of \$5.7 million, or 5.9% from 2020. The decrease in net investment income 2021 compared to 2020 was primarily due to:
 - \$8.0 million decrease in gross interest income from net mortgage and collateralized loan investments, as a result of lower average net mortgage investments through the year as well as slight rate compression.
 - Offset by \$3.5 million increase in Interest and other income on mortgage syndications.
- Fair value loss and other income on financial assets measured at FVTPL was lower in 2021, from a net loss of \$16.8 million in 2020 to a net loss of \$10.3 million in 2021 resulting primarily from lower unrealized fair value losses on mortgages of \$13.6 million versus of \$19.5 million in 2020. In 2021, further adjustments were made to FVTPL loans reflecting a change in the Company's realization strategy on the FVTPL mortgages to an exit strategy from a development/redevelopment strategy in the prior year. Fair value loss on investment properties was higher by \$4.4 million in 2021 (YTD 2020 nil) due to a decreased in the stabilized net operating income.
- The Company generated income from operations of \$60.8 million (2020 \$62.6 million). This is a decrease of \$1.8 million or 2.9% from 2020.
- Weighted average interest rate in the existing net mortgage portfolio is well protected at the end of Q4 2021 with 9.8% of the portfolio at fixed interest rate (December 31, 2020 14.4%) and floating interest rate loans with rate floors representing 84.6% of the portfolio (December 31, 2020 78.1%), consistent with the overall asset allocation strategy shift toward floating rate assets.
- Weighted average loan-to-value increased from 68.5% as at December 31, 2020 to 70.1% as at December 31, 2021 (and relatively stable compared to 69.6% as at Q3 2021). The change is primarily due to a slight change in the portfolio weighting among asset classes and lower loan-to-value land loans repaying in the earlier part of the year.
- General and administrative expense were \$1.8 million (2020 \$1.8 million), remaining consistent with the prior year. After adjusting for a net foreign exchange gain of \$337, general and administrative expenses were \$2.2 million, representing an increase of \$360 over the prior year due primarily to non-cash mark-to-market adjustments on the DSUs, increased insurance costs due to market wide premium increases and general legal and investor relations fees.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

- Non-refundable lender fees recorded were \$10.7 million (2020 \$7.7 million). Higher lender fees are attributable to increased renewal and commitment fees. The overall weighted average lender fees on new and renewed mortgages during the year was 0.8% (2020 0.7%), while the weighted average lender fee on only new mortgages 2021 was 1.1% (2020 1.2%).
- Excluding the \$3.9 million unrealized fair value gain arising from the Contract, the \$13.7 million unrealized fair value loss on financial assets carried at FVTPL, and the \$4.4 million loss on investment properties, the Company generated adjusted net income and comprehensive income of \$55.5 million (2020 \$54.9 million) or basic and diluted adjusted earnings per share of \$0.68 (2020 basic and diluted of \$0.67). The Company declared \$56.1 million in dividends (2020 \$56.4 million) to common shareholders, representing a payout ratio of 101.2% (2020 102.8%) on an adjusted earnings per share basis.
- The Company generated increased distributable income of \$61.1 million (2020 \$58.0 million) or distributable income per share of \$0.75 (2020 \$0.71). Adjusted distributable income was \$60.4 million (YTD 2020 \$58.0 million) or adjusted distributable income per share of \$0.74 (YTD 2020 \$0.71), representing a payout ratio of 92.9% (YTD 2020 97.3%) on an adjusted distributable income basis.
- The Company launched and commenced its at-the-market equity program in June 2021 which allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to \$90 million. To date the Company has issued 852,100 common shares for gross proceeds of \$8.2 million at an average price of \$9.67 per common share.
- On June 22, 2021, the Company issued a notice of redemption for the full outstanding amount of \$46.0 million of 5.45% convertible unsecured subordinated debentures (the "February 2017 Debentures"). On July 23, 2021 the February 2017 Debentures were redeemed at par, plus accrued and unpaid interest. The aggregate principal amount of the February 2017 Debentures outstanding was \$46.0 million on redemption date. The Company drew \$40.0 million from its credit facility and used cash on hand to fund the redemption and associated interest.
- 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 will mature on July 31, 2028 and will accrue interest at the rate of 5.25% per annum payable semi-annually in arrears on January 31 and July 31 of each year, commencing January 31, 2022.
- 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 will mature on December 31, 2028 and will accrue interest at the rate of 5.00% per annum payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2022.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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 2021 and 2021, the Company earned net investment income on financial assets measured at amortized cost of \$22.4 million and \$90.2 million (Q4 2020 – \$24.0 million; 2020 – \$95.9 million). Net investment income includes the following:

a. Interest income

During Q4 2021 and 2021, the Company earned interest income on mortgages at amortized cost of \$18.7 million and \$75.7 million (Q4 2020 – \$19.6 million; 2020 – \$80.6 million). The weighted average interest rate on net mortgage investments during Q4 2021 and 2021 was 6.9% and 7.1% (Q4 2020 – 7.2%; 2020 – 7.2%). The decrease in interest income quarter-over-quarter and for the full year was due to a lower weighted-average net mortgage investment portfolio over both periods and slight lower interest rates on net mortgage investments.

During Q4 2021 and 2021, the Company earned \$1.5 million and \$5.2 million (Q4 2020 – \$1.4 million; 2020 – \$5.1 million) of interest income on collateralized loans in other investments in the enhanced return portfolio. The lower interest income for the quarter is a result of a reduced average size collateralized loans portfolio, whereas higher interest income for the year is the result of an increase in the average size of the other investments portfolio during 2021.

b. Lender fee income

For Q4 2021 and 2021, the Company recorded non-refundable upfront lender fees of \$3.7 million and \$10.7 million (Q4 2020 - \$1.8 million; 2020 -\$7.7 million), or a weighted average lender fee on new and renewed mortgages of 0.9% and 0.8%, respectively (Q4 2020 - 0.7%; 2020 - 0.7%). Higher lender fees are driven by increased turnover volume, offset by slightly lower fee rates. 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 2021 and 2021, lender fees of \$4.8 million and \$9.3 million were amortized to lender fee income (Q4 2020 - \$2.9 million; 2020 - \$10.1 million).

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

c. Other income/loss

During Q4 2021 and 2021, the Company recognized other income of \$50 and \$145 (Q4 2020 – \$45; 2020 – \$231), 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 2021 and 2021, the Company incurred a total loss on financial assets measured at FVTPL of \$7.4 million and \$10.3 million (Q4 2020 – gain of \$14.9 million; 2020 – loss of \$16.8 million). The Company earned interest income on net mortgage investments measured at FVTPL of \$596 and \$2.4 million (Q4 2020 – \$708; 2020 – \$2.1 million), offset by a decrease in fair value of investments measured at FVTPL of \$8.2 million and \$13.7 million (Q4 2020 – \$15.5 million; 2020 – \$18.9 million), respectively.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

A net \$13.6 million unrealized fair value loss was recorded in the statement of net income and other comprehensive income for YTD 2021. During the year-ended December 31, 2021 the Company changed its realization strategy for these assets to an exit strategy by way of disposition compared to development/ redevelopment of the sites. As a result, the Company estimated the fair value of the FVTPL mortgages using the direct comparison method, comparing the assets to directly comparable lands. In 2020 the Company reviewed its portfolio of FVTPL loans in light of the continuing impact COVID-19 is having on the economy, capital markets, transaction volumes and lower interest rate environment.

Net rental income from investment properties

The net rental income from investment properties for Q4 2021 and 2021 was \$389 and \$1.5 million (Q4 2020 – \$373; 2020 – \$1.5 million), respectively. The rental revenue and operating cost remained relatively consistent at stable occupancy levels.

Loss on investment properties

For Q4 2021 and 2021, the Company incurred a loss of \$4.4 million on investment properties (Q4 2020 – nil; 2020 – nil) due to increased time to stabilize assets and slower market conditions.

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 2021 and 2021, the Company incurred management fees of \$3.0 million and \$12.0 million (Q4 2020 – \$3.1 million; 2020 – \$12.4 million). The average gross assets were \$1,275.4 million and \$1,260.6 million compared to Q4 2020 \$1,296.0 million and 2020 \$1,325.2 million. For Q4 2021 and 2021, the Company incurred \$158 and \$700, respectively (Q4 2020 – \$187 and 2020 – \$788) in servicing fees. The decrease is related to the decrease in the average syndications balance during the period. For Q4 2021 and 2021, Arrangement Fees of \$125 and \$1.5 million paid by borrower were retained by the Manager (Q4 2020 – \$338 and 2020 – \$472).Increase over prior year is due to increased loan syndication activity in 2021 relative to 2020 as well as the the management agreement being amended in April 2020 enabling the Manager to earn Arrangement fees from that point forward. Therefore, 2020 was not reflective of a full year of syndication activity.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

General and administrative

For Q4 2021 and 2021, the Company incurred general and administrative expenses of \$484 and \$1.8 million, respectively (Q4 2020 – \$298; 2020 – \$1.8 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees, legal fees, other operating costs and administration of the mortgage and other investments portfolio. After adjusting for foreign currency net realized and unrealized gains of \$18 and \$337 for Q4 2021 and YTD 2021, respectively, general and administrative expenses increased due to non-cash mark-to-market adjustments on the DSUs, increased insurance costs from market wide premium increases and general legal fees.

Interest on credit facility - mortgage investments

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q4 2021 and 2021, included in financing costs is interest on the credit facility of \$2.7 million and \$11.0 million (Q4 2020 – \$2.9 million; 2020 – \$13.4 million), and realized loss on the Contract of \$1.0 million and \$3.9 million (Q4 2020 – \$1.0 million; 2020 – \$2.7 million) and financing costs amortization of \$177 and \$968 (Q4 2020 – \$236; 2020 – \$909). The average credit utilization in 2021 was \$455.5 million compared to \$471.8 million for 2020. Interest expense on the credit facility decreased for Q4 2021 versus Q4 2020 due to lower credit facility utilization.

Unrealized Fair Value - Interest Rate Swap

For Q4 2021 and 2021, included in financing costs is unrealized fair value gain of \$1.0 million and \$3.9 million (Q4 2020 – gain of \$850, 2020 – loss of \$3.9 million). The fair value gain relating to the Contract is recorded at FVTPL in accordance with IFRS, which expired at par upon maturity in December 2021 and was not renewed. Refer to note 6(a) of the annual financial statements for the years ended December 31, 2021 and 2020.

Interest on credit facility - investment properties

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q4 2021 and 2021, included in financing costs is interest on the credit facility for investment properties of \$183 and \$814 (Q4 2020 – \$234; 2020 – \$944) and financing costs amortization of \$12 and \$54 (Q4 2020 – \$13; 2020 – \$44). Interest expense remained fairly consistent for all periods and there was no significant rate changes.

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, 2021. 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	e mont	hs ended			Ye	ar ended	
	December 31,				December			
	2021		2020		2021		2,020	
Interest on the convertible debentures	\$ 1,491	\$	1,370	\$	5,362	\$	6,895	
Amortization of issue costs and accretion of the convertible debentures	276		549		1,383		1,729	
Total financing cost on convertible debentures	\$ 1,767	\$	1,919	\$	6,745	\$	8,624	

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

Earnings per share

For Q4 2021 and 2021, basic and diluted earnings per share were \$0.03 and \$0.51, basic and diluted adjusted earnings per share were \$0.17 and \$0.68 (Q4 2020 – basic \$(0.02) and diluted \$(0.02), 2020 – basic and diluted \$0.39, basic and diluted adjusted \$0.67).

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	Dec	ember 31, 2021 De	cember 31, 2020
Mortgage investments, excluding mortgage syndications	\$	1,159,210 \$	1,142,662
Mortgage syndications		444,429	429,915
Mortgage investments, including mortgage syndications		1,603,639	1,572,577
Mortgage syndication liabilities		(444,429)	(429,915)
		1,159,210	1,142,662
Interest receivable		(10,824)	(10,209)
Unamortized lender fees		8,278	6,958
Allowance for mortgage investments loss		2,970	3,710
Net mortgage investments	\$	1,159,634 \$	1,143,121

Net mortgage investments	Thr	ee n	nonths ended		Year ended		
statistics and ratios ¹			December 31,			December 31,	
	202	1	2020	2021		2020	
Total number of mortgage investments	109		116	109		116	
Average net mortgage investment	\$ 10,942	\$	10,022	\$ 10,942	\$	10,022	
Average net mortgage investment portfolio	\$ 1,077,147	\$	1,083,435	\$ 1,067,598	\$	1,124,189	
Weighted average interest rate for the period	6.9 %	6	7.2 %	7.1 %	0	7.2 %	
Weighted average lender fees for the period	0.9 %	6	0.7 %	0.8 %	0	0.7 %	
Turnover ratio	23.3 %	6	19.6 %	65.4 %	0	57.0 %	
Average remaining term to maturity (years)	1.0		1.0	1.0		1.0	
Net mortgage investments secured by cash-flowing properties	88.3 %	6	84.9 %	88.3 %	0	84.9 %	
Weighted average loan-to-value	70.1 %	6	68.5 %	70.1 %	0	68.5 %	

¹ Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

Portfolio allocation

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

a. Security position	Decer	nber	31, 2021	Decer	31, 2020	
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Interest in first mortgages	98	\$	1,080,376	99	\$	1,031,984
Interest in second and third mortgages ¹	11		79,258	17		111,137
	109	\$	1,159,634	116	\$	1,143,121

¹Included in the Company's interest in second and third mortgages as at December 31, 2021 was \$41.8 million of the net mortgage investments in which the Company holds a subordinated position (December 31, 2020 - \$17.2 million). The Company's syndicated partners who hold a senior position as at December 31, 2021 was \$69.3 million (December 31, 2020 - \$42.7 million).

b. Region	Dec	emb	er 31, 2021	Dece	mbe	r 31, 2020
			Net Mortgage			Net Mortgage
	Number		Investments	Number		Investments
Ontario	41	\$	340,195	46	\$	380,616
British Columbia	25		307,401	24		267,055
Alberta	10		122,707	15		201,650
Quebec	24		360,143	21		260,469
Other (Saskatchewan, Nova Scotia, Manitoba and New Brunswick)	9		29,188	10		33,331
	109	\$	1,159,634	116	\$	1,143,121

c. Maturity	Dece	emb	er 31, 2021	Dece	mbei	r 31, 2020
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
2021	\$ —	\$	_	60	\$	606,667
2022	48	\$	595,530	42	\$	381,196
2023	53		489,299	13		150,758
2024	7		70,305	_		_
2025	1		4,500	1		4,500
	109	\$	1,159,634	56	\$	1,143,121

d. Asset Type / WALTV at o	rigination ³	Decer	mber 31, 2021		Decer	nber 31, 2020
	Number	Net Mortgage Investments	WALTV at origination ³	Number	Net Mortgage Investments	WALTV at origination ³
Multi-Residential ¹	64	\$ 533,844	72.3%	68	\$ 597,771	72.3%
Retail	14	215,977	72.1%	17	184,104	70.7%
Unimproved Land ²	6	72,350	52.3%	10	105,943	51.3%
Office	6	76,994	62.5%	8	97,761	62.3%
Retirement	4	132,834	75.2%	3	77,567	74.1%
Industrial	9	51,402	67.6%	5	16,855	63.2%
Single-Residential	2	23,929	69.4%	1	1,574	69.5%
Self-Storage	1	830	80.9%	1	830	80.9%
	106	1,108,160	70.3%	113	1,082,405	69.1%
Net mortgage investments measured at FVTPL	3	51,474	n/a	3	60,716	n/a
-	109	\$ 1.159.634		116	\$ 1.143.121	

¹ Includes 10 construction loans (December 31, 2020 - 11) totaling \$56.6 million (December 31, 2020 - \$38.3 million). Construction loans are provided for the purposes of building a new asset.

³ Weighted average loan-to-value measured at time of origination.

² Unimproved land loans are provided to non-income producing properties that does not contemplate construction during the loan period.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

Enhanced return portfolio

As at	Dece	mber 31, 2021	Dece	mber 31, 2020
Collateralized loans, net of allowance for credit loss	\$	58,000	\$	60,370
Finance lease receivable, measured at amortized cost		6,020		6,020
Investment, measured at FVTPL		4,985		5,819
Indirect real estate development, measured using equity method:				
Investment in Joint Venture		2,225		2,225
Total Other Investments		71,230		74,434
Investment properties		44,063		47,862
Credit facility (investment properties)		(30,690)		(30,656)
Net equity in investment properties		13,373		17,206
Total Enhanced Return Portfolio	\$	84,603	\$	91,640

During Q4 2021 and 2021, the Company earned \$1.5 million and \$5.2 million (Q4 2020 – \$1.4 million and 2020 – \$5.1 million) of interest income on collateralized loans in other investments in the enhanced return portfolio.

During Q4 2021 and 2021, the Company recognized lender fee income of \$120 and \$455 on collateralized loans in other investments, net of fees relating to mortgage syndication liabilities (Q4 2020 – \$89 and 2020 – \$259). During Q4 2021 and 2021, the Company recorded non-refundable upfront lender fees of nil and \$455 (Q4 2020 – nil; 2020 – \$297), 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 an 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, 2021 and 2020.

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). As at December 31, 2021, the Company's share of the investment properties has an aggregate fair value of \$44.1 million (December 31, 2020 – \$47.9 million) and are pledged as security for the credit facility of the co-ownership. The Company is entitled to receive incremental profits from the excess returns generated over certain thresholds.

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 \$444.4 million (December 31, 2020 – \$429.9 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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 \$3.9 million as at December 31, 2021 (December 31, 2020 - \$5.3 million), of which \$3.0 million (December 31, 2020 - \$3.7 million) was recorded against mortgage investments and \$0.9 million (December 31, 2020 - \$1.6 million) was recorded against other investments.

		As a	t December	r 31, 2021		As at	Decembe	r 31, 2020
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	\$980,245	\$ —	\$ - \$	980,245	\$780,537	\$43,569	\$ 3,055	\$827,161
Mortgage syndication liabilities ¹	283,528	_	_	283,528	209,778	_	_	209,778
Net mortgage investments	696,717	_	_	696,717	570,759	43,569	3,055	617,383
Allowance for credit losses ²	882	_	_	882	967	91	1,405	2,463
	695,835	_	_	695,835	569,792	43,478	1,650	614,920
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	549,078	8,404	25,418	582,900	692,069	_	3,235	695,304
Mortgage syndication liabilities ¹	163,133	_	_	163,133	221,335	_	_	221,335
Net mortgage investments	385,945	8,404	25,418	419,767	470,734	_	3,235	473,969
Allowance for credit losses ²	283	52	1,753	2,088	293	_	954	1,247
	385,662	8,352	23,665	417,679	470,441	_	2,281	472,722
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications ¹	58,999	_	_	58,999	55,416	_	6,669	62,085
Mortgage syndication liabilities ¹	_	_	_	_	_	_	_	_
Net mortgage investments	58,999	_	_	58,999	55,416	_	6,669	62,085
Allowance for credit losses ²	898		_	898	97	_	1,516	1,613
	\$ 58,101	\$ —	\$ - \$	58,101	\$ 55,319	\$ —	\$ 5,153	\$ 60,472

¹Including interest receivable

²Allowance for credit losses in finance lease receivable (note 4(e)) and unadvanced commitments (note 4(a)(b)(c)(d)) are all considered to be in Stage1 with minimal ACL.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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

		Year Ende	d December	31, 2021	Year Ended December 31, 2020							
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total				
	967	91	1,405	2,463	\$ 1,003	\$ —	\$ 253 \$	1,256				
Allowance for credit losses:												
Remeasurement	17	(5)	76	88	241	133	1,152	1,526				
Transfer to/(from)												
Stage 1	_	_	_	_	(5)	_	_	(5)				
Stage 2	_	_	_	_	_	5	_	5				
Stage 3	_	_	_	_	_	_	_	_				
Total allowance for credit losses	984	86	1,481	2,551	1,239	138	1,405	2,782				
Fundings	447	_	_	447	544	5	_	549				
Gross Write-Offs	_	_	(1,202)	(1,202)	_	_		_				
Recoveries	_	_	(279)	(279)	_	_	_	_				
Discharges	(549)	(86)		(635)	(816)	(52)	_	(868)				
Balance at end of period	882	_	_	882	967	91	1,405	2,463				
							*					
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total				
	293	_	954	1,247	334	_	713	1,047				
Allowance for credit losses:												
Remeasurement	22	47	794	863	(132)	_	241	109				
Transfer to/(from)												
Stage 1	(10)	_	_	(10)	(5)	_	_	(5)				
Stage 2	_	5	_	5	_	5	_	5				
Stage 3	_	_	5	5	_	_	_	_				
Total allowance for credit losses	305	52	1,753	2,110	197	5	954	1,156				
Fundings	107	_		107	173	_	_	173				
Gross Write-Offs	_	_	_	_	_	_	_	_				
Recoveries	_	_	_	_	_	_	_	_				
Discharges	(129)	_	_	(129)	(77)	(5)	_	(82)				
Balance at end of period	283	52	1,753	2,088	293	_	954	1,247				
	0		<u> </u>				<u> </u>					
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total				
	97	_	1,516	1,613	25	_	_	25				
Allowance for credit losses:	(10.1)											
Remeasurement	(191)	_	1,373	1,182	_	_	1,511	1,511				
Transfer to/(from)												
Stage 1	975	_	_	975	(5)	_	_	(5)				
Stage 2	_	_	_	_	_	_	_	_				
Stage 3	_		(975)	(975)			5	5				
Total allowance for credit losses	881	_	1,914	2,795	20	_	1,516	1,536				
Fundings	27	_		27	82	_	_	82				
Gross Write-Offs	_	_	(1,914)	(1,914)	_	_	_	_				
Recoveries	_	_	_	_	_	_	_	_				
Discharges	(10)		_	(10)	(5)	_	_	(5)				
Balance at end of period	\$ 898 \$	<u> </u>	<u> </u>	898	\$ 97	<u> </u>	\$ 1,516 \$	1,613				

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

As at December 31, 2021 As at December 31, 2020 Multi-residential Mortgage Investments Stage 2 Stage 3 Total Stage 1 Stage 2 Stage 3 Total Stage 1 Low risk \$140,125 \$ \$ 140,125 \$209,373 \$ \$209,373 Medium-Low risk 474,200 474,200 307,977 35,953 343,930 Medium-High risk 76,608 76,608 53,409 7,616 61,025 High risk 5,784 5,784 Default 3,055 3,055 Net 43,569 696,717 696,717 570,759 3,055 617,383 Allowance for credit losses 882 1,405 2,463 882 967 91 Mortgage investments¹ 695,835 695,835 569,792 43,478 1,650 614,920 **Other Mortgage Investments** Stage 2 Total Stage 1 Stage 3 Total Stage 1 Stage 2 Stage 3 Low risk 9,120 9,120 72,957 72,957 Medium-Low risk 321,997 321,997 333,990 333,990 8,404 Medium-High risk 63,232 41,012 41,012 54,828 High risk 22,775 22,775 Default 3,235 25,418 25,418 3,235 Net 470,734 385,945 8,404 25,418 419,767 3,235 473,969 Allowance for credit losses 283 52 1,753 2,088 293 954 1,247 Mortgage investments¹ 385,662 8,352 23,665 417,679 470,441 2,281 472,722 **Other Ioan 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 58,999 58,999 55,416 55,416 Default 6,669 6,669 Net 58,999 58,999 55,416 6,669 62,085 Allowance for credit losses 898 898 97 1,516 1,613 Other loan Investments¹ 5,153 \$ 60,472 \$ 58,101 \$ \$ 58,101 \\$ 55,319 \$

¹ Net of allowance and mortgage syndications

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

Net working capital

Net working capital decreased by \$3.8 million to \$9.5 million at December 31, 2021 from \$13.3 million at December 31, 2020.

Credit facility (mortgage investments)

The Company originally had a \$400 million in revolving credit facility with 10 Canadian banks and by exercising the accordion features on February 13, 2018, November 16, 2018 and on September 18, 2020, the Company increased the aggregate credit limit to \$535 million. The facility is secured by a general security agreement over the Company's assets and its subsidiaries and had a maturity date of December 18, 2021. On September 18, 2020, the Company entered into an amendment to its existing revolving credit facility ("Sixth Amending Credit Agreement") in order to, among other things, bringing the aggregate limit under the credit facility by \$35 million to a total of \$535 million. General terms of the credit facility remain unchanged. On May 10, 2021, the Company entered into an amendment to its existing revolving credit facility ("Seventh Amending Credit Agreement") in order to, among other things extend the maturity date to May 10, 2023, and amend the Company's option to increase the aggregate credit limit to \$635 million. On February 10, 2022, the Company amended its existing revolving credit facility to increase the aggregate limit under the credit facility by \$40 million to \$575 million and extend the facility for another two-year term to February 10, 2024.

The rates of interest and fees of the Sixth Amending Credit Agreement are either at the prime rate of interest plus 1.00% per annum (December 31, 2020 – prime rate of interest plus 1.00% per annum) or bankers' acceptances with a stamping fee of 2.00% (December 31, 2020 – 2.00%) and standby fee of 0.40% per annum (December 31, 2020 – 0.40%) on the unutilized credit facility balance. As at December 31, 2021, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the Sixth Amending Credit Agreement is \$542.2 million.

The Company had a 2-year interest rate swap contract (the "Contract") with three Canadian banks with notional value of \$250.0 million, which matured in December 2021 and has not been renewed. Under the terms of the Contract, the Company was required to pay fixed rate of 2.02% and receive floating rate based on 1-month banker's acceptance. Net realized and unrealized fair value gain or loss from the Contract is recognized in statement of net income and comprehensive income.

The contract matured in December 2021 and was not renewed, The Company recorded the fair value of the Contract as a liability in December 31, 2020 of \$3.9 million. The fair value of the Contract is calculated as the present value of the estimated future cash flows discounted at interest rates and an applicable yield curve with similar risk characteristics for the duration of the contract. Estimates of the future cash flows are the sum of contractually fixed future amounts and expected variable future amounts, which are based on quoted swap rates, futures prices and estimated borrowing rates.

During the year ended December 31, 2021, the Company incurred financing costs of \$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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

Credit facility (investment properties)

Concurrently with the Saskatchewan Portfolio acquisition, the Company and the co-owners originally entered into a credit facility agreement with a Schedule 1 Bank with a maturity date of August 10, 2019. Under the terms of the agreement, the co-ownership has 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. As at December 31, 2021, the co-owners borrowed \$150.0 million from the Credit Facilities. The Company's share of the outstanding amount is \$30.7 million. The original credit facility provided the co-owners with the option to borrow at either the prime rate of interest plus 1.50% or at the bankers' acceptances with a stamping fee of 2.50% ("Canadian Dollar Loans"), or at LIBOR plus 2.50%. The Amended and Restated Credit Agreement was extended on October 8, 2021 to expire on January 10, 2022. Subsequent to December 31, 2021, it was extended until April 11, 2022. Under the Amended and Restated Credit Agreement, the Credit Facilities consist of the following:

- 1) Tranche A credit facility provides the co-owners an option to borrow at either the prime rate of interest plus 1.00% or at bankers' acceptances with a stamping fee of 2.00% ("Canadian Dollar Loans"), or at LIBOR plus 2.00%. The credit facility is secured by a first charge on specific assets with a gross carrying value of \$31.6 million. The Company's share of Tranche A is \$6.5 million.
- 2) Tranche B credit facility comprises of a commercial mortgage loan for certain properties defined as Tranche B properties (the "Tranche B Properties") in the Amended and Restated Credit Agreement. The facility provides the co-owners an option to borrow at either the prime rate of interest plus 1.00% or at bankers' acceptances with a stamping fee of 2.00% ("Canadian Dollar Loans"), or at LIBOR plus 2.00%. The Tranche B credit facility is secured by a first charge on the Tranche B Properties with a gross carrying value of \$39.7 million. The Company's share of Tranche B is \$8.1 million.
- 3) Tranche C credit facility comprises of a commercial mortgage loan for certain properties defined as Tranche C properties (the "Tranche C Properties") in the Amended and Restated Credit Agreement. The facility provides the co-owners an option to borrow at either the prime rate of interest plus 1.00% or at bankers' acceptances with a stamping fee of 2.00% ("Canadian Dollar Loans"), or at LIBOR plus 2.00%. The Tranche C credit facility is secured by a first charge on the Tranche C Properties with a gross carrying value of \$78.6 million. The Company's share of the carrying value is \$16.1 million.

The co-owners of the Saskatchewan Portfolio (note 5 of the Financial Statement) are each individually subject to financial covenants outlined in the investment properties credit facility agreement. Notwithstanding, the lender's recourse is limited to each co-owner's proportionate interest in the investment properties credit facility.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

Convertible debentures

As at December 31, 2021, and December 31, 2020, the Company's obligations under the convertible unsecured debentures are as follows:

						Ye	Year ended December 3		
Series	Interest Rate	Date of Maturity	Interest Payment Date				2021	2020	
February 2017 Debentures	5.45 %	March 31, 2022	March 31 and September 30	\$ 10.05	\$ 607	\$	_ \$	46,000	
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	1,168		55,000	_	
December 2021 Debentures	5.00 %	December 31, 2028	June 30 and December 31	11.40	1,476		46,000	_	
Unsecured Debent	ures, principa	I					146,000	91,000	
Unamortized finance	cing cost and	amount alloc	ated to equity comp	onent			(8,264)	(2,038)	
Debentures, end of	f year						137,736	88,962	

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,				
		2021	2020		
Interest on the convertible debentures	\$	5,362 \$	6,895		
Amortization of issue costs and accretion of the convertible debentures		1,383	1,729		
Total	\$	6,745 \$	8,624		

(a) On February 7, 2017, the Company completed a public offering of \$40,000, plus an overallotment option of \$6,000, of 5.45% convertible unsecured subordinated debentures for net proceeds of \$43,663 (the "February 2017 Debentures"). The discount on the debentures is being accreted such that the liability at maturity will equal the face value of \$46,000. The issue costs of \$2,240 were proportionately allocated to the liability and equity components.

On July 23, 2021 the February 2017 Debentures were redeemed at par, plus accrued and unpaid interest. The aggregate principal amount of the February 2017 Debentures outstanding was \$46,000 on redemption date. The Company drew \$40,000 from its credit facility and used cash on hand to fund the redemption and associated interest.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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

The June 2017 Debentures are 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 \$2,226 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

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

The July 2021 Debentures are redeemable on or after July 31, 2024 and prior to July 31, 2026. 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 \$2,860 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

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

The December 2021 Debentures are redeemable on or after December 31, 2024 and prior to December 31, 2026. 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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

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

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 2021, the Company issued 537,100 of common shares for gross proceeds of \$5.2 million at an average price of \$9.69 per common share and paid \$104 in commissions to the agent, pursuant to the equity distribution agreement. For 2021, the Company issued 852,100 of common shares for gross proceeds of \$8.2 million at an average price of 9.67 per common share and paid \$165 in commissions to the agent, pursuant to the equity distribution agreement.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

(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 2021 and 2021, the Company purchased from open market nil and 47,808 common shares (Q4 2020 – 141,430 and 2020 – 434,096) for total amount of nil and \$416 (Q4 2020 – \$1.2 million; \$2 – \$3.6 million). During 2021, common shares were purchased from open market at an average price of \$8.69 per common share.

During Q4 2021 and 2021, the Company issued from treasury 134,683 and 480,069 common shares (Q4 2020 – nil and 2020 – 117,818) and retained \$1.3 million and \$4.4 million in dividends (Q4 2020 – nil; 2020 – \$1.1 million), common shares were issued from treasury at an average price of \$9.16 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 2021 and 2021, the Company declared dividends of \$14.2 million or \$0.1725 per share and \$56.1 million or \$0.6900 per share (Q4 2020 – \$14.0 million, \$0.1725 per share and 2020 – \$56.4 million, \$0.6900 per share).

As at December 31, 2021, \$4.7 million in aggregate dividends (December 31, 2020 – \$4.7 million) was payable to the holders of common shares by the Company. Subsequent to December 31, 2021, the Board of Directors of the Company declared dividends of \$0.0575 per share to be paid on January 14, 2022 to the common shareholders of record on December 31, 2021.

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

On April 13, 2021, the Company announced that the TSX approved the Company's normal course issuer bid (the "NCIB") to repurchase for cancellation up to 8,030,909 common shares over a 12-month period. Repurchases under the NCIB commenced on April 15, 2021 and will continue until April 14, 2022, when the bid expires, or such earlier date as the Company has repurchased the maximum number of common shares permitted under the bid.

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.

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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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 2021 and 2021, 9,126 and 36,953 units were issued (2020 - 9,951 and 40,466) and as at December 31, 2021, 145,140 units were outstanding (December 31, 2020 - 108,187 units). No DSUs were exercised or canceled, resulting in a DSU expense of \$101 and \$355 (Q4 2020 - \$81 and YTD 2020 - \$341). As at December 31, 2021, \$101 (December 31, 2020 - \$81) in compensation was granted in DSUs, which will be issued subsequent to December 31, 2021.

STATEMENT OF CASH FLOWS

Cash from operating activities

Cash from operating activities for 2021 was \$81.6 million (2020 – \$79.4 million).

Cash used in financing activities

Cash used in financing activities for 2021 consisted of the Company's net repayments on the operating credit facility of \$38.8 million (2020 – \$2.2 million of net repayments). The Company paid interest on the debentures and credit facilities of \$21.5 million (2020 – \$24.6 million), paid common share dividends of \$51.3 million (2020 – \$51.9 million) and repurchased common shares under dividend reinvestment plan of \$416 (2020 – \$23.6 million). The net cash used in financing activities for 2021 was \$54.2 million (2020 – \$148.0 million used in financing activities).

Cash (used in) from investing activities

Net cash used in investing activities in 2021 was \$21.4 million (2020 - \$60.2 million) and consisted of the funding of net mortgage investments of \$700.8 million (2020 - \$596.5 million), offset by repayments of net mortgage investments of \$677.6 million (2020 - \$670.6 million), funding of other investments of \$55.5 million (2020 - \$22.3 million), offset by repayments of other investments of \$57.1 million (2020 - \$9.0 million), net addition to investment properties of \$575 (2020 - \$513), and net proceeds on maturing of forward contracts of \$876 (2020 - \$159 net payments).

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

QUARTERLY FINANCIAL INFORMATION

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

NET INCOME AND COMPREHENSIVE INCOME	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net Investment Income on financial assets measured at amortized cost	\$22,378	\$22,042	\$23,390	\$22,439	\$23,958	\$23,917	\$24,023	\$24,042
Fair value (loss) gain and other income on financial assets measured at FVTPL	(7,404)	(3,577)	211	479	(14,918)	147	(2,053)	46
Loss on investment properties	(4,374)	_	_	_	_	_	_	_
Net rental income	389	386	376	348	373	344	376	360
Expenses	(3,761)	(3,404)	(5,177)	(3,895)	(5,560)	(4,181)	(4,119)	(4,164)
Income from operations	7,228	15,447	18,800	19,371	3,853	20,227	18,227	20,284
Financing costs:								
Financing cost on credit facilities	(4,045)	(4,040)	(4,746)	(3,903)	(4,397)	(4,291)	(4,482)	(4,855)
Financing cost on debentures	(1,767)	(1,981)	(1,543)	(1,454)	(1,919)	(2,306)	(2,199)	(2,200)
Fair value loss (gain) on derivative contract	(994)	(995)	(974)	(977)	(850)	(817)	(197)	5,804
Net income (loss) and comprehensive income (loss)	2,410	\$10,421	\$13,485	\$14,991	\$(1,613)	\$14,447	\$11,743	\$ 7,425
ADJUSTED NET INCOME AND COMPREHENSIV	E INCOM	E						
Net income (loss) and comprehensive income (loss)	\$ 2,410	\$10,421	\$13,485	\$14,991	\$(1,613)	\$14,447	\$11,743	\$ 7,425
Add: fair value (gain) loss on derivative contract (interest rate swap)	\$ (994)	(995)	(974)	(977)	(850)	(817)	(197)	5,804
Add: net unrealized (gain) loss on financial assets measured at FVTPL	\$ 8,237	\$ 4,295	\$ 1,100	\$ 116	\$15,477	\$ 395	\$ 2,586	\$ 491
Add: net unrealized loss on investment properties	4,374	_	_	_	_	_	_	_
Adjusted net income and comprehensive income ¹	\$14,027	\$13,721	. \$13,611	\$14,130	\$13,014	\$14,025	\$14,132	\$13,720
PER SHARE INFORMATION								
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Earnings (loss) per share (basic)	\$ 0.03	\$ 0.13	\$ 0.17	\$ 0.19	\$ (0.02)	\$ 0.18	\$ 0.14	\$ 0.09
Earnings (loss) per share (diluted)	\$ 0.03	\$ 0.13	\$ 0.17	\$ 0.18	\$ (0.02)	\$ 0.18	\$ 0.14	\$ 0.09
Adjusted earnings per share (basic) ¹	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.16	\$ 0.17	\$ 0.17	\$ 0.16
Adjusted earnings per share (diluted) ¹	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.16	\$ 0.17	\$ 0.17	\$ 0.16
Distributable income per share ¹	\$ 0.20	\$ 0.17	\$ 0.20	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.17
Adjusted distributable income per share ¹	\$ 0.20	\$ 0.17	\$ 0.19	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.17
1 Refer to non-IERS measures section								

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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

RELATED PARTY TRANSACTIONS

As at December 31, 2021, due to Manager mainly includes management and servicing fees payable of \$1.4 million (December 31, 2020 - \$1.1 million).

During 2021, Arrangement Fees of \$1.5 million paid by borrower were retained by the Manager (2020 – \$472).

As at December 31, 2021, included in other assets is \$4.2 million (December 31, 2020 – \$14.0 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, 2021, 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.

- A mortgage investment with a total gross commitment of \$11.6 million (December 31, 2020 \$11.6 million). The Company's share of the commitment is \$931 (December 31, 2020 \$931). For the year ended December 31, 2021, the Company has recognized net interest income of \$104 (2020 \$43) from this mortgage investment during the year.
- A mortgage investment with a total gross commitment of \$45.7 million (December 31, 2020 \$45.7 million). The Company's share of the commitment is \$4.2 million (December 31, 2020 \$4.2 million). For the year ended December 31, 2021, the Company has recognized net interest income of \$263 (2020 \$87) from this mortgage investment during the year.

As at December 31, 2021, 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 mortgage (December 31, 2020 – 1) totaling \$33.2 million (December 31, 2020 – \$21.7 million). The Company's share in these mortgage investments are \$9.8 million (December 31, 2020 – \$6.4 million).

As at December 31, 2021, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling \$5.0 million or €3.5 million (December 31, 2020 − \$5.8 million or €3.7 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's consolidated financial statements, Timbercreek Capital Inc. ("Manager"), a subsidiary and as successor in interest to Timbercreek Asset Management Inc. ("TAMI") 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 potential effects of the COVID-19 pandemic, that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements.

Beginning March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses; "shelter in place" and other governmental regulations; and reduced consumer spending due to both job losses and other effects attributable to COVID-19 which has resulted in an uncertain and challenging economic environment that could negatively impact the Company's operations and financial results in future periods. In response to the global COVID-19 pandemic, various measures have been introduced by Canadian federal and provincial governments and other authorities to mitigate the transmission of COVID-19 and its variants, including social distancing recommendations, closure of non-essential businesses, occupancy limits in enclosed spaces, quarantines, and travel bans, some of which remain in effect. The nature and extent of these measures may change depending on the efficacy of vaccination programs, the emergence of new variants of the COVID-19 virus, and any resurgence of COVID-19 positive cases. As a result of the continuously evolving circumstances surrounding COVID-19, uncertainty remains with the Company's internal forecast, most significantly the fact that it cannot predict how its borrowers will be impacted and therefore respond to any continuing or new restrictive measures and the then impact on the Company's financial results and condition of the Company in future periods.

The Company reviewed its portfolio of FVTPL loans and investment properties in light of the continuing impact COVID-19 is having on the economy, capital markets, transaction volumes and lower interest rate environment. During the year, the Company recorded losses on three of its fair value portfolio of mortgages and its portfolio of investment properties reflecting change in strategy from redevelopment of certain assets to disposition as well as longer periods to stabilize net operating income due to slower market conditions. No significant adjustments related to COVID-19 were recorded in the year.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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

Measurement of fair values

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

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

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

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

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

- Note 4 Mortgage and other investments, including mortgage syndications;
- Note 5 Investment properties; and
- Note 19 Fair value measurements.

Measurement of expected credit loss

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

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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.

SIGNIFICANT ACCOUNTING POLICIES

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

OUTSTANDING SHARE DATA

As at February 23, 2022, the Company's authorized capital consists of an unlimited number of common shares, of which 82,539,282 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 \$542.2 million through its credit facility – mortgage investments and \$30.7 million through its credit facility – investment properties and intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at December 31, 2021, 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at December 31, 2021, including expected interest payments:

	Carrying	C	ontractual	Within	F	ollowing			
	value		cash flow	a year		year	3	-5 years	5 + Years
Accounts payable and accrued expenses	\$ 5,125	\$	5,125	\$ 5,125	\$	_	\$	_	\$ —
Dividends payable	4,726		4,726	4,726		_		_	_
Due to Manager	1,377		1,377	1,377		_		_	_
Mortgage and other loans funding holdbacks	258		258	258		_		_	_
Prepaid mortgage and other loans interest	3,961		3,961	3,961		_		_	_
Derivative liability (interest rate swap contract)	_		_	_		_		_	_
Credit facility (mortgage investments) ¹	419,179		433,855	10,216		423,639		_	_
Credit facility (investment properties) ²	30,690		30,953	30,953		_		_	_
Convertible debentures ³	137,736		187,073	7,573		7,573		61,755	110,172
	\$ 603,052	\$	667,328	\$ 64,189	\$	431,212	\$	61,755	\$110,172
Unadvanced mortgage commitments ⁴	_		407,402	407,402		_		_	_
Total contractual liabilities, excluding mortgage syndication liabilities ⁵	\$ 603,052	\$	1,074,730	\$ 471,591	\$	431,212	\$	61,755	\$ 110,172

- Credit facility (mortgage investments) includes interest based upon December 2021 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on May 10, 2023.
- Credit facility (investment properties) includes interest based upon December 2021 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on April 11, 2022.
- 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.
- Unadvanced mortgage commitments include syndication commitments of which \$253.5 million belong to the Company's syndicated partners.
- The principal repayments of \$445.3 million mortgage syndication liabilities by contractual maturity date is shown net with mortgage investments.

As at December 31, 2021, the Company had a cash position of \$6,344 (December 31, 2020 – \$428) and an unutilized credit facility (mortgage investments) balance of \$115.0 million (December 31, 2020 – \$76.2 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, 2021, unadvanced mortgage commitments under the existing mortgage investments, including mortgage syndications, amounted to \$407.4 million (December 31, 2020 – \$248.6 million) of which \$253.5 million (December 31, 2020 – \$144.7 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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, 2021, \$1,104.8 million of net mortgage investments and \$15.6 million of other investments bear interest at variable rates (December 31, 2020 – \$1,019.2 million and \$11.0 million, respectively). As of December 31, 2021 \$1,048.0 million of net mortgage investments have a "floor rate" (December 31, 2020 – \$935.5 million).

If there were a decrease or increase of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments and other investments to net income and comprehensive income would be a decrease in net income of \$46 (December 31, 2020 - \$78) or an increase in net income of \$3.9 million (December 31, 2020 - \$243). 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 \$450.7 million as at December 31, 2021 (December 31, 2020 – \$489.5 million). During Q4 2019, the Company entered into the Contract (refer to note 6(a) of consolidated financial statements for the years ended December 31, 2021 and 2020) which reduced the exposure in interest rate risk. The contract matured in December 2021 and was not renewed. As at December 31, 2021, net exposure to interest rate risk was \$450.7 million (December 31, 2020 – \$215.3 million), and assuming it was outstanding for the entire period, a 0.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income by \$2.3 million (December 31, 2020 – \$1.1 million).

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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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, 2021, the Company has US\$7.1 million and €3.5 million in other investments denominated in foreign currencies (December 31, 2020 – US\$5.1 million and €3.7 million). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at December 31, 2021, the Company has one U.S. dollars currency contracts with an aggregate notional value of US\$6.0 million, at a weighted average forward contract rate of 1.2438, maturing in January 2022 and one Euro currency contract with an aggregate notional value of €3.5 million at a weighted average contract rate of 1.4624, maturing in April 2022.

The fair value of the foreign currency forward contracts as at December 31, 2021 is a liability of \$48 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, 2021 relating to net mortgages and other investments amount to \$1,248.3 million (December 31, 2020 – \$1,236.3 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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

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.

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 December 31, 2021 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, 2021 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 year ended December 31, 2021 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 judgements 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

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.

Management's Discussion and Analysis

For the three months and year ended December 31, 2021 In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

Phone

Blair Tamblyn, CEO Tracy Johnston, CFO Karynna Ma, Vice President, Investor Relations

1-844-304-9967

Internet

Visit SEDAR at www.sedar.com; or the Company's website at www.timbercreekfinancial.com

Mail

Write to the Company at: Timbercreek Financial Attention: Corporate Communications 25 Price Street Toronto, Ontario M4W 1Z1