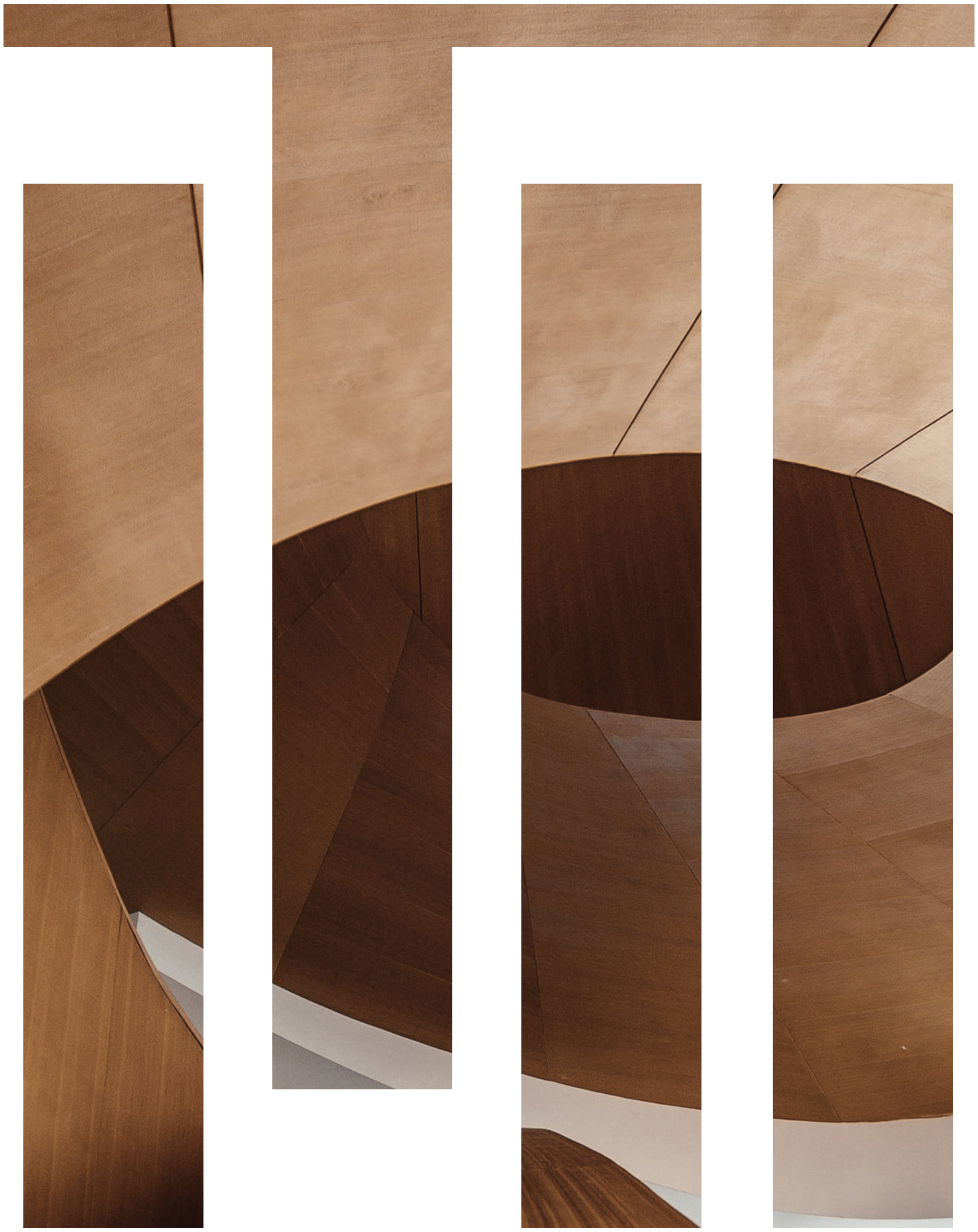


TIMBERCREEK
FINANCIAL

ANNUAL REPORT 2021

14+ YEAR
TRACK RECORD

~$790MM
MARKET CAP
AS AT DEC. 31, 2021

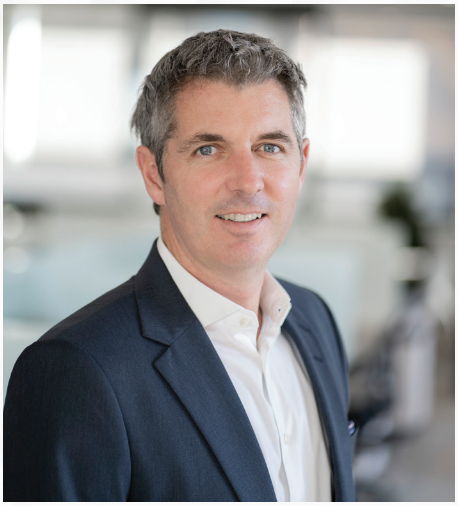
$1.2B
INSTITUTIONAL-QUALITY
PORTFOLIO

100%
COMMERCIAL
REAL ESTATE
FOCUSED

ABOUT TIMBERCREEK FINANCIAL

Timbercreek Financial is a leading non-bank, commercial real estate lender providing shorter-duration, structured financing solutions to commercial real estate professionals. Our sophisticated, service-oriented approach allows us to meet the needs of borrowers, including faster execution and more flexible terms that are not typically provided by Canadian financial institutions. By employing thorough underwriting, active management and strong governance, we are able to meet these needs while generating strong risk-adjusted yields for investors.

LETTER TO SHAREHOLDERS



BLAIR TAMBLYN
CHIEF EXECUTIVE OFFICER

Emerging from a more challenging operating environment in 2020, fiscal 2021 was a good year overall for the company. Most importantly, we achieved the overriding objective to optimize the risk-return parameters of the portfolio and deliver a stable dividend. We grew distributable income per share to $0.75, up from $0.71 per share in 2020, and these results were well within our targeted payout ratio – another important performance measure. Over the past 4 years, we have maintained an average dividend payout ratio of 94.3% on distributable income despite the historically low interest rate environment.

This performance was set against a gradually improving industry backdrop as cities and markets reduced restrictions, creating better conditions for commercial real estate transaction activity. In terms of capital deployment, we invested roughly $766 million in new mortgage investments and additional advances on existing mortgages, offset by repayments of $736 million (a normal and healthy activity for short-term lenders), resulting in a modest net increase in the portfolio to $1.16 billion at year end.

88%
MORTGAGES SECURED BY INCOME-PRODUCING PROPERTIES

~60%
RESIDENTIAL ASSETS

93.2%
FIRST MORTGAGES

"WE ACHIEVED THE OVERRIDING OBJECTIVE TO OPTIMIZE THE RISK-RETURN PARAMETERS OF THE PORTFOLIO AND DELIVER A STABLE DIVIDEND."

COVID-19 is not out of our lives, but with some distance from the worst periods, we can appreciate the durability and stability of our investments. Our portfolio has been mostly unaffected. At year end, none of the 109 loans were in arrears at year end and collections remained high throughout the year – consistent with pre-2020 levels – which highlights the creditworthiness and financial capacity of our borrowers.

We attribute this success to our emphasis on income-producing assets, in particular multi-family residential exposure, and a time-tested focus on risk management, both of which served us well last year. In terms of portfolio construction, 88% of our investments at year-end were secured by income-producing assets with just over 60% in multi-family residential assets, including retirement. Our focus on these areas was once again a positive factor in portfolio performance. The uncertain market backdrop caused many competing lenders to lean into resilient asset classes such as multi-family residential. Nevertheless, we remain pleased with our market share in this area, based upon strong relationships, industry knowledge, timely execution and our well-established position as a transitional lender.

DRIP Q&A*

Timbercreek has a dividend reinvestment plan to provide eligible shareholders with the opportunity to have the cash dividends on their common shares automatically reinvested into additional common shares of the company.

Who is eligible?

Participation is restricted to holders of Timbercreek common shares who are residents of Canada for the purposes of the Tax Act.

What are the benefits?

The benefits of enrolling in the plan include the:

- convenience of automatic reinvestment of dividends allowing dollar cost averaging;
- flexibility to enroll 50% or 100% of your eligible common shares, providing the opportunity to reinvest all or a portion of dividends, while continuing to receive the remainder in cash; and
- ability to acquire additional shares at a discount and without having to pay commissions or administration fees.

How do I enroll?

If you are a beneficial holder, you should contact the intermediary through which you hold your common shares. If you are a registered holder, you should contact our transfer agent:

TSX TRUST
1-800-387-0825 or (416) 682-3860
shareholderinquiries@tmx.com

*For more information on the Plan, please see the Canadian Dividend Reinvestment Plan Offering Circular at timbercreekfinancial.com.

Risk management remained front and center for our investment team in 2021, and this was reflected in the high percentage of first mortgages (93.1% at year-end 2021 vs. 90.3% at year-end 2020) and a conservative average loan-to-value (70.1%) at year end. While the market was competitive in our core asset classes, pricing on new transactions was largely resilient. The portfolio's weighted average interest rate (WAIR) was 6.8%, down from 7.2% in 2020, reflecting higher rate loans repaying in 2021 and modest rate compression. The WAIR is well protected by the high percentage of floating rate loans with rate floors, which was almost 85% of the portfolio at year end – the highest it's ever been. This strategy muted the impact of interest rate cuts in prior periods and sets us up well in an environment of rising rates like we are in today.

The mortgage portfolio remains well diversified and concentrated in urban markets in the largest provinces, with approximately 97% of the portfolio in Ontario, British Columbia, Quebec and Alberta. Strategically, we are very pleased with the initial results from the opening of the Montreal office which has resulted in strong origination activity from Eastern Canada. This translated into a meaningful increase in the weighting in Quebec (31% of the portfolio at year end). This is an important portfolio diversification initiative and gives us additional exposure to the large and diversified Quebec economy. At the same time, we remain disciplined and prudent in key Alberta markets that have had more significant and prolonged cyclical challenges.

$0.75
DISTRIBUTABLE INCOME PER SHARE

91.8%
PAYOUT RATIO ON DISTRIBUTABLE INCOME

While the core mortgage investments performed well in 2021, we have navigated challenges with the small number of non-core and non-income-producing assets. Coming into 2021, our general approach was to allow development or redevelopment plans to play out, then to evaluate our options to monetize these positions. In the fourth quarter, we decided to accelerate our realization strategy. We believe it's better for shareholders to exit these assets sooner and reinvest the capital into our core investment strategy of current pay, income-producing mortgages. Once we exit these remaining positions, we will move forward without the quarter-to-quarter fluctuations and distractions in net income caused by these fair value gains and losses.

Fiscal 2021 was also an active period from a financing and capital markets perspective, and we move ahead on an even stronger financial foundation with greater funding capacity on more favorable terms. We took advantage of opportunities during 2021 to increase the total capital base and reduce our cost of capital. We completed two convertible debenture issuances raising $101 million at lower interest rates than the prior two series. We implemented an at-the-market program, which allows us to cost effectively and opportunistically build the equity base. During the year, we raised $8.2 million in gross proceeds through this program at an average price of $9.67. We also recently renewed and upsized our mortgage investments credit facility by $40 million to $575 million, giving us ample room to steadily grow the portfolio and, along with that, the market cap of the company.

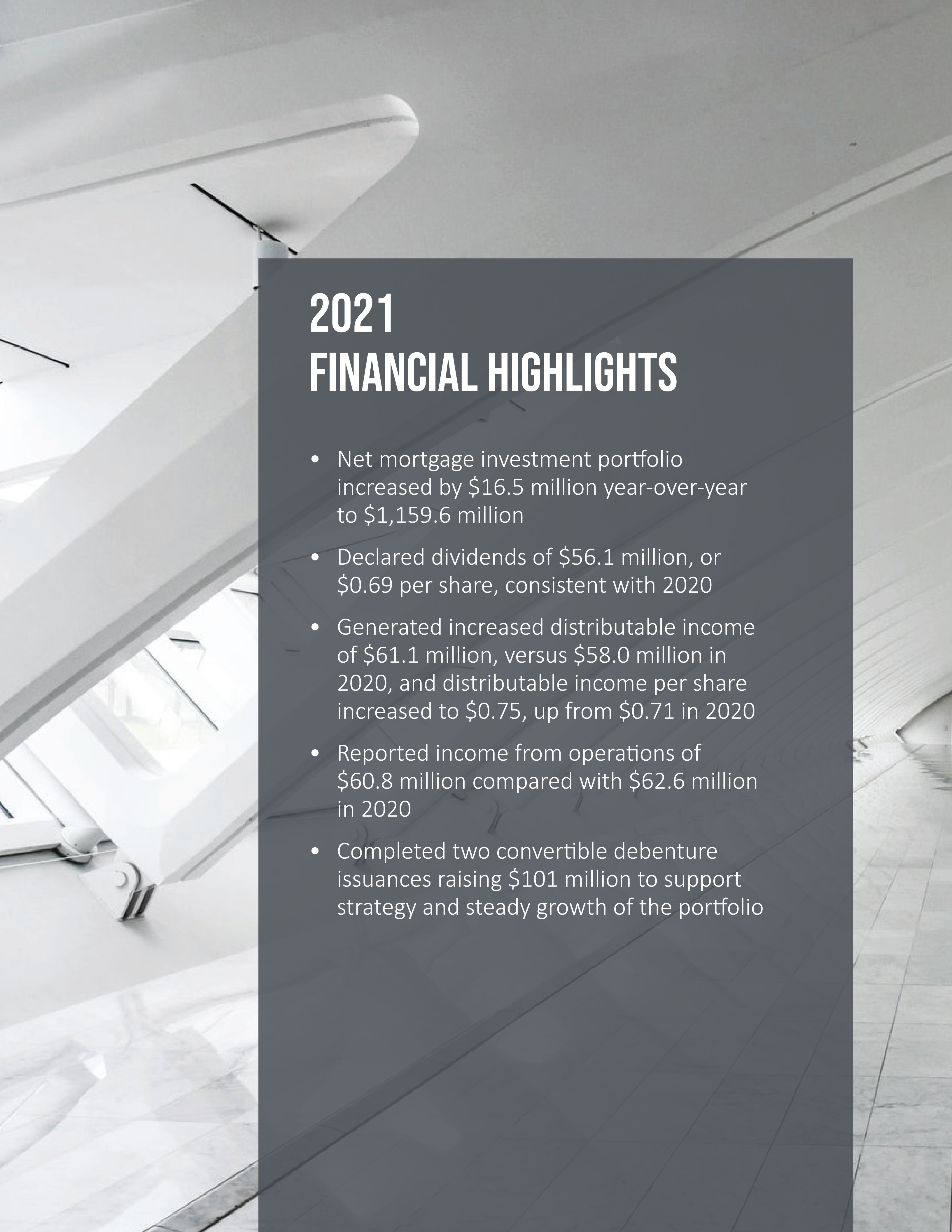
"WE MOVE AHEAD ON AN EVEN STRONGER FINANCIAL FOUNDATION WITH GREATER FUNDING CAPACITY ON MORE FAVORABLE TERMS."

To support the growth of the business, we added to our team in 2021. In addition to the Montreal office, we grew our investment and originations groups. Moreover, we were delighted to add an additional independent director to the board: Deborah Robinson, who is President and founder of Bay Street HR and has over 25 years of diverse Human Resources and Governance experience.

Clearly we've navigated a more challenging operating environment over the past two years. While there is still economic uncertainty to manage going forward, the past year has given us recent evidence of the durability of our investment portfolio and strategy. With restrictions easing, we see better days ahead in our core markets and are encouraged by the outlook for 2022. Building on a robust fourth quarter, the transaction pipeline remains strong. We have even greater funding capacity to execute on deals to achieve steady growth of the total portfolio.

Moreover, rising interest rates should act as a tailwind for distributable income given our high exposure to floating rate loans. Lastly, we continue to make progress exiting the small number of challenging investments in the portfolio and expect to deploy this capital into loans that will be accretive to distributable income.

Thank you to our team for once again delivering the results and returns our shareholders expect. We also want to thank you, our shareholders, for your continuing confidence in us. In our view, private real estate debt should have a place in many portfolios, and the past two years have highlighted the strengths of Timbercreek's platform and our ability to generate compelling risk-adjusted returns in this market segment.



2021 FINANCIAL HIGHLIGHTS

- Net mortgage investment portfolio increased by $16.5 million year-over-year to $1,159.6 million
- Declared dividends of $56.1 million, or $0.69 per share, consistent with 2020
- Generated increased distributable income of $61.1 million, versus $58.0 million in 2020, and distributable income per share increased to $0.75, up from $0.71 in 2020
- Reported income from operations of $60.8 million compared with $62.6 million in 2020
- Completed two convertible debenture issuances raising $101 million to support strategy and steady growth of the portfolio

Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the year ended December 31, 2021

TIMBERCREEK
FINANCIAL

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

The terms, the "Company", "we", "us" and "our" in the following Management Discussion & Analysis ("MD&A") refer to Timbercreek Financial Corp. (the "Company" or "Timbercreek Financial"). This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like "believe", "expects", "anticipates", "would", "will", "intends", "projected", "in our opinion" and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by Timbercreek Capital Inc. ("Manager"), a subsidiary 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.

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.

The Company's financial performance is predominately generated from net investment income from net mortgage investments. The Company may enter into certain mortgage participation agreements with other institutional lenders, where such agreements may provide for the Company's participation either on a pari passu basis or in a subordinated position with one or more institutional syndication partners. For IFRS presentation purposes, where the derecognition criteria is not met, mortgage investments are reported on a gross basis, with the portion related to the syndicated mortgages being included in the mortgage investments, including mortgage syndications and a corresponding liability as mortgage syndication liabilities. Mortgage syndication liabilities are non-recourse mortgages with period to period variances not impacting the Company's performance. Refer to Note 4 of the consolidated financial statements. The relevant factors causing period to period variances include net mortgage principal amounts, portfolio allocation, weighted average interest rate and turnover rate. These non-IFRS measures should not be construed as alternatives to total net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS.

Non-IFRS financial measures for net mortgage investments:

i. Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and allowance for mortgage investments loss as at the reporting date.

ii. Weighted average loan-to-value ("WALTV") – a measure of advanced and unadvanced mortgage commitments on a mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral at the time of approval of the mortgage investment. For construction/redevelopment mortgage investments, fair value is based on an "as completed" basis. For unimproved land property, fair value is based on an "as is" basis. Net mortgage investments measured at fair value through profit or loss ("FVTPL") are excluded from weighted average loan-to-value computation. This is a key measure to explain period to period performance variances of net mortgage investments.

iii. Turnover ratio – represents total net mortgage investments repayments during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period. The Company makes mortgages or loans to only commercial borrowers that are short-term (generally one to five years), as such the portfolio turnover rate is higher than typical mortgage portfolios which include individual or non-commercial borrower loans. This is a key measure to explain period to period performance variances of net mortgage investments as turnover from both scheduled and early repayments impacts revenue.

iv. Weighted average interest rate for the period – represents the weighted average of daily interest rates (not including lender fees) on the net mortgage investments for the daily period. As a result, the Company complements IFRS measures (which presents financial positions as a point of time basis) with weighted daily average data to explain significant variances. This is a key measure to explain period to period performance variances of net mortgage investments.

v. Weighted average lender fees for the period – represents the cash lender fees received on individual mortgage investments during the stated period, expressed as a percentage of the Company's advances on those mortgage investments. If the entire lender fee is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment. As a result, the Company complements IFRS measures (which presents financial positions as a point of time basis) with weighted average data to explain significant variances. This is a key measure to explain period to period performance variances of net mortgage investments as lender fees is one of the main contributors to net investment income and distributable income.

vi. Average net mortgage investment portfolio – represents the daily average of net mortgage investments for the stated period. As a result, the Company complements IFRS measures (which presents financial positions as a point of time basis) with weighted daily average data to explain significant variances. This is a key measure to explain period to period performance variances of net mortgage investments as average net mortgage investment portfolio is a basis for interest income earned during the period.

vii. Enhanced return portfolio – represents other investments and net equity in investment properties not included in net mortgage investments.

Non-IFRS financial measures for Company's assessment of its distribution paying capacity:

It is the Company's view that IFRS net income 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.

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).

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.

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	December 31, 2021	December 31, 2020	December 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.

OPERATING RESULTS[1]

	Three months ended December 31,		Year ended December 31,		
NET INCOME AND COMPREHENSIVE INCOME	**2021**	2020	**2021**	2020	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	**$ 2,410**	$ (1,613)	**$ 41,307**	$ 32,002	$ 54,740
Add: fair value (gain) loss on derivative contract (interest rate swap)	**$ (994)**	$ (850)	**$ (3,940)**	$ 3,940	$ —
Add: net unrealized loss on financial assets measured at FVTPL	**$ 8,237**	$ 15,477	**$ 13,748**	$ 18,949	$ 188
Add: Net unrealized loss on investment properties	**$ 4,374**	$ —	**$ 4,374**	$ —	$ —
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.

OPERATING RESULTS[1]

	Three months ended December 31,		Year ended December 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 %**	97.3 %
ADJUSTED DISTRIBUTABLE INCOME				
Distributable income	**$ 16,163**	$ 14,621	**$ 61,129**	$ 58,018
Less: One-time distribution income	**—**	—	**(707)**	—
Adjusted Distributable income[1]	**$ 16,163**	$ 14,621	**$ 60,422**	$ 58,018
Payout ratio on adjusted distributable income[1]	**87.6 %**	95.4 %	**92.9 %**	97.3 %
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.

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.

- 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.

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.

- 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.

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.

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.

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 months ended December 31,		Year ended December 31,	
	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

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	December 31, 2021	December 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 statistics and ratios[1]	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 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 %**	7.2 %	**7.1 %**	7.2 %
Weighted average lender fees for the period	**0.9 %**	0.7 %	**0.8 %**	0.7 %
Turnover ratio	**23.3 %**	19.6 %	**65.4 %**	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 %**	84.9 %	**88.3 %**	84.9 %
Weighted average loan-to-value	**70.1 %**	68.5 %	**70.1 %**	68.5 %

1 Refer to non-IFRS measures section.

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	December 31, 2021			December 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

[1]Included 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	December 31, 2021			December 31, 2020		
	Number		Net Mortgage Investments	Number		Net Mortgage 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	December 31, 2021			December 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 origination[3]	December 31, 2021				December 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.
[2] Unimproved land loans are provided to non-income producing properties that does not contemplate construction during the loan period.
[3] Weighted average loan-to-value measured at time of origination.

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

Enhanced return portfolio

As at		December 31, 2021		December 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.

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 at December 31, 2021				As at December 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**

[1]Including interest receivable
[2]Allowance 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.

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 Ended 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**

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:								
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**	**$ —**	**$ —**	**$ 898**	**$ 97**	**$ —**	**$ 1,516**	**$ 1,613**

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.

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 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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	696,717	—	—	696,717	570,759	43,569	3,055	617,383
Allowance for credit losses	882	—	—	882	967	91	1,405	2,463
Mortgage investments[1]	**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
Low risk	9,120	—	—	9,120	72,957	—	—	72,957
Medium-Low risk	321,997	—	—	321,997	333,990	—	—	333,990
Medium-High risk	54,828	8,404	—	63,232	41,012	—	—	41,012
High risk	—	—	—	—	22,775	—	—	22,775
Default	—	—	25,418	25,418	—	—	3,235	3,235
Net	385,945	8,404	25,418	419,767	470,734	—	3,235	473,969
Allowance for credit losses	283	52	1,753	2,088	293	—	954	1,247
Mortgage investments[1]	**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
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 Investments[1]	**$ 58,101**	**$ —**	**$ —**	**$ 58,101**	**$ 55,319**	**$ —**	**$ 5,153**	**$ 60,472**

[1] Net of allowance and mortgage syndications

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.

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.

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:

Series	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price (/share)	Equity Component	Year ended December 31, 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 Debentures, principal						146,000	91,000
Unamortized financing cost and amount allocated to equity component						(8,264)	(2,038)
Debentures, end of 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.

(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.

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.

(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.

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).

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 COMPREHENSIVE INCOME								
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-IFRS measures section.

The variations in total net income and comprehensive income by quarter are mainly attributed to the following:

i. In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments. As a result, net interest income is susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances, to determine its distributable income on a calendar year basis;

ii. In any given quarter, the Company is subject to volatility from fair value adjustments to financial assets measured at FVTPL and allowance for mortgage investments resulting in fluctuations in quarterly total net income and comprehensive income;

iii. The utilization of the credit facility to fund mortgage investments results in higher net interest income, which is partially offset by higher financing costs.

RELATED PARTY TRANSACTIONS

As at December 31, 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.

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.

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.

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.

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 value	Contractual cash flow	Within a year	Following 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

1 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.

2 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.

3 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.

4 Unadvanced mortgage commitments include syndication commitments of which $253.5 million belong to the Company's syndicated partners.

5 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.

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.

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.

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.

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

Consolidated Financial Statements of

TIMBERCREEK FINANCIAL

For the year ended December 31, 2021

TIMBERCREEK
FINANCIAL

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Timbercreek Financial Corp.,

Opinion

We have audited the consolidated financial statements of Timbercreek Financial Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020
- the consolidated statements of net income and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of allowance of credit losses on mortgage and other loan investments classified at amortized cost

Description of the matter

We draw attention to Note 2(d), Note 3(b) and Note 4(d) of the financial statements. The Entity has recorded an allowance of credit losses ("ACL") on mortgage and other loan investments classified at amortized cost ("Debt Investments") of $3.9 million.

The ACL for non-credit impaired financial assets reflects a probability-weighted outcome that considers Entity's assessment of all expected cash shortfalls over 12- months after the reporting date or expected life, as applicable, and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions is considered. The significant assumptions include probability-weighting and expected cash shortfalls.

ACL for credit-impaired financial assets is recorded for individually identified credit impaired Debt Investments to reduce their carrying value to the expected recoverable amount based on the estimated future cash flows discounted at the Debt Investment's original effective interest rate. The expected recoverable amount is a significant assumption.

The Entity 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.

Why the matter is a key audit matter

We identified the evaluation of the ACL on Debt Investments classified at amortized cost as a key audit matter. Evaluation of ACL on Debt Investments represented an area of significant risk of material misstatement given the high degree of measurement uncertainty associated with the estimate of the ACL. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the Entity's significant assumptions. Further, professionals with specialized skills and knowledge were needed to evaluate the Entity's methodology and significant assumptions for non-credit impaired debt investments.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of Debt Investments, we evaluated the Entity's assigned credit risk ratings against the Entity's borrower risk rating scale, and the Entity's assessment of significant increase in credit risk and of credit impairment. Our evaluation was based on information prepared by the Entity and assessed against source documents, as applicable.

We involved credit risk professionals with specialized skills, industry knowledge and relevant experience who assisted in:

- evaluating the model methodology including the application of significant increases in credit risk by assessing compliance with IFRS 9, Financial Instruments; and
- assessing the probability-weighting and expected cash shortfalls by comparing to publicly available information.

For a selection of credit impaired Debt Investments, we evaluated the appropriateness of the expected recoverable amount by comparing to reports of real estate commentators and available industry transaction databases, considering the features of the specific property.

Evaluation of the fair value of mortgage investments classified at Fair Value Through Profit and Loss

Description of the matter

We draw attention to Note 2(d), Note 3(b) and Note 4(a) of the financial statements. The Entity has recorded $54 million of mortgage investments at Fair Value Through Profit and Loss ("FVTPL"). Significant assumptions in determining the fair value of mortgage investments classified at FVTPL include transaction prices for directly comparable properties.

Why the matter is a key audit matter

We identified the evaluation of the fair value of mortgage investments classified at FVTPL as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in determining the fair value of mortgage investments classified at FVTPL. Significant auditor judgment, including specialized skills and knowledge, were required in evaluating the significant assumptions.

How the matter was addressed in the audit

The following were the primary procedures we performed to address this key audit matter.

For a selection of mortgage investments, we evaluated the fair value of mortgage investments classified at FVTPL by involving valuations professionals with specialized skills and knowledge who assisted in assessing transaction prices for directly comparable properties to published information considering the features of the specific property.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report."

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the KAMs. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Amit Shah.

Toronto, Canada

February 23, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Canadian dollars)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents		**$ 6,344**	$ 428
Other assets	15(c)	**6,788**	16,161
Mortgage investments, including mortgage syndications	4(a)(b)(c)(d)	**1,603,639**	1,572,577
Other investments	4(e)	**71,230**	74,434
Investment properties	5	**44,063**	47,862
Total assets		**$ 1,732,064**	$ 1,711,462
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses		**5,125**	3,015
Dividends payable	9(c)	**4,726**	4,651
Due to Manager	15(a)	**1,377**	1,089
Mortgage and other loans funding holdbacks		**258**	2,177
Prepaid mortgage and other loans interest		**3,961**	3,708
Derivative liability (interest rate swap contract)	6(a)	**—**	3,940
Credit facility (mortgage investments)	6(a)	**419,179**	458,299
Credit facility (investment properties)	6(b)	**30,690**	30,656
Convertible debentures	8	**137,736**	88,962
Mortgage syndication liabilities	4(a)(c)	**444,429**	429,915
Total liabilities		**1,047,481**	1,026,412
Shareholders' equity	9	**684,583**	685,050
Total liabilities and equity		**$ 1,732,064**	$ 1,711,462
Commitments and contingencies	4, 6 and 21		
Subsequent events	2(d), 6(b), 9(c)) and 22		

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

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

		Year ended December 31,	
	Note	2021	2020
Investment income on financial assets measured at amortized cost			
Gross interest and other income, including mortgage syndications		**$ 113,549**	$ 122,779
Interest and other expenses on mortgage syndications		**(23,300)**	(26,839)
Net investment income on financial assets measured at amortized cost	4(b)(e)	**90,249**	95,940
Fair value loss and other income on financial assets measured at FVTPL	4(a)(e)	**(10,291)**	(16,778)
Total income on financial assets		**79,958**	79,162
Net rental income			
Revenue from investment properties	7	**3,023**	2,919
Property operating costs		**(1,524)**	(1,466)
Net rental income		**1,499**	1,453
Fair value loss on investment properties	5	**(4,374)**	—
Total income on Investment Properties		**(2,875)**	1,453
Expenses			
Management fees	11	**12,031**	12,437
Servicing fees	11	**700**	788
Allowance for credit loss	4(d)	**1,660**	2,994
General and administrative		**1,846**	1,805
Total expenses		**16,237**	18,024
Income from operations		**60,846**	62,591
Financing costs			
Financing cost on credit facilities	6	**16,734**	18,025
Financing cost on convertible debentures	8	**6,745**	8,624
Fair value (gain) loss on derivative contract	6(a)	**(3,940)**	3,940
Total financing costs		**19,539**	30,589
Net income and comprehensive income		**$ 41,307**	$ 32,002
Earnings per share			
Basic	12	**$ 0.51**	**$ 0.39**
Diluted	12	**$ 0.51**	**$ 0.39**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars)

Year ended December 31, 2021	Common shares	Deficiency	Equity component of convertible debentures	Total
Balance, December 31, 2020	$ 711,521	$ (28,409)	$ 1,938	$ 685,050
Issuance of common shares, net of issue costs	7,460	—	—	7,460
Dividends declared to shareholders	—	(56,142)	—	(56,142)
Issuance of common shares under dividend reinvestment plan	4,812	—	—	4,812
Repurchase of common shares for dividend reinvestment plan	(416)	—	—	(416)
Issuance of convertible debentures	—	—	2,512	2,512
Total net income and comprehensive income	—	41,307	—	41,307
Balance, December 31, 2021	$ 723,377	$ (43,244)	$ 4,450	$ 684,583

Year ended December 31, 2020	Common shares	Deficiency	Equity component of convertible debentures	Total
Balance, December 31, 2019	$ 730,418	$ (3,964)	$ 1,938	$ 728,392
Repurchase of common shares under normal course issuer bid	(20,000)	—	—	(20,000)
Dividends declared to shareholders	—	(56,447)	—	(56,447)
Issuance of common shares under dividend reinvestment plan	4,695	—	—	4,695
Repurchase of common shares for dividend reinvestment plan	(3,592)	—	—	(3,592)
Total net income and comprehensive income	—	32,002	—	32,002
Balance, December 31, 2020	$ 711,521	$ (28,409)	$ 1,938	$ 685,050

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands of Canadian dollars)

	Note	Year ended December 31, 2021	2020
OPERATING ACTIVITIES			
Net income		**$ 41,307**	$ 32,002
Amortization of lender fees		**(9,275)**	(10,110)
Lender fees received		**9,945**	7,660
Interest and other income, net of syndications		**(83,395)**	(88,002)
Interest and other income received, net of syndications		**84,142**	85,627
Financing costs		**23,479**	26,649
Fair value loss and other income on financial assets measured at FVTPL		**12,734**	18,949
Fair value loss on investment properties		**4,374**	—
Fair value (gain) loss on derivative contract		**(3,940)**	3,940
Net realized and unrealized foreign exchange gain		**(337)**	(16)
Allowance for credit loss		**1,660**	2,994
Net change in non-cash operating items	13	**919**	(303)
		81,613	79,390
FINANCING ACTIVITIES			
Net credit facility repayments – mortgage investments		**(38,824)**	(2,176)
Repayment of convertible debentures		**(46,000)**	(45,800)
Net proceeds from issuance of convertible debentures		**96,574**	—
Net proceeds from issuance of common shares		**7,277**	—
Interest and financing costs paid		**(21,533)**	(24,581)
Dividends paid to shareholders		**(51,254)**	(51,888)
Repurchase of common shares		**(416)**	(23,592)
		(54,176)	(148,037)
INVESTING ACTIVITIES			
Additions to investment properties		**(575)**	(513)
Net proceeds (payments) on maturity of forward contracts		**876**	(159)
Funding of other investments		**(55,519)**	(22,255)
Proceeds from other investments		**57,079**	9,037
Funding of mortgage investments, net of syndications		**(700,801)**	(596,528)
Discharges of mortgage investments, net of syndications		**677,556**	670,596
		(21,384)	60,178
Increase (decrease) in cash and cash equivalents		**6,053**	(8,469)
Net foreign exchange loss on cash accounts		**(137)**	(94)
Cash and cash equivalents, beginning of year		**428**	8,991
Cash and cash equivalents, end of year		**$ 6,344**	$ 428

See accompanying notes to the consolidated financial statements.

1. CORPORATE INFORMATION

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

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

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements were approved by the Board of Directors on February 23, 2022.

(b) Principles of consolidation

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

(c) Basis of measurement

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

(d) Critical accounting estimates, assumptions and judgements

In the preparation of the Company's consolidated financial statements, Timbercreek Capital Inc. (the "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.

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 impact on the Company's financial results and condition of the Company in future periods. To date, the Company has not experienced material changes in the collection of interest and repayments of principal, however, there is no certainty this will continue going forward. Accordingly, there is inherently more uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the consolidated financial statements. Given the evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the extent and severity of the COVID-19 pandemic and the impact it will have on the Company's estimate of allowance for credit losses and investments measured at FVTPL, both in the short term and in the long term.

The 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.

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).

Syndication liabilities

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

Classification of mortgage and other investments

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

(e) Functional and Presentation Currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

(b) Financial instruments

Recognition and initial measurement

All financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement - financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") - debt investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has no debt investments measured at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods. the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the syndicated assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Subsequent measurement and gains and losses - financial assets

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Classification, subsequent measurement and gains and losses - financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Impairment of financial assets

The Company recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost, unfunded loan commitments and financial guarantee contracts. The Company applies a three-stage approach to measure allowance for credit losses. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and on credit impaired loans (Stage 3).

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Company uses investment specific factors in assessing significant change in credit risk, which includes:

- Investments secured by income producing properties - borrower or guarantor's financial position, change in market conditions, deterioration in cash flows due to vacancy, property conditions, loss of major tenants, change in execution of business plan.
- Investments secured by construction loans - borrower or guarantor's financial position, change in market conditions, property conditions, material cost-to-complete concerns, change in execution of business plan.
- Investments secured by unimproved land - borrower or guarantor's financial position, change in market conditions, change in execution of business plan, adverse zoning change.

The Company assumes the credit risk on a financial asset has increased significantly if interest payment or maturity date is more than 30 days past due and/or borrower or underlying security criteria as identified by the Manager. As typical in shorter duration structured financing, the Manager does not solely believe there has been a significant deterioration in credit risk or an asset to be credit impaired if mortgage and other investments go into overhold position past the maturity date for a period greater than 30 days or 90 days, respectively. The Manager actively monitors these mortgage and other investments and applies judgement in determining whether there has been significant increase in credit risk. The Company considers a financial asset to be credit impaired when the interest payment or maturity date is more than 90 days past due 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.

The assessment of significant increase in credit risk requires significant credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Company determines the appropriate remediation strategy based on the individual borrower. If the Company determines that a modification results in derecognition, the original asset is derecognized while a new asset is recognized based on the new contractual terms.

Significant increase in credit risk is assessed relative to the risk of default on the date of modification. If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having a lifetime ECL, the loans can revert to having 12-month ECL after a period of performance and improvement in investment specific factors.

Measurement of ECL - non credit impaired financial assets

The ECL for non credit impaired financial assets reflects a probability-weighted outcome that considers Entity's assessment of all expected cash shortfalls over 12-months after the reporting date or expected life as applicable, and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions is considered. The probability weighting and expected cash shortfalls are significant assumptions.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining the expected credit loss allowance, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. We consider past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, we utilized multiple economic scenarios including our base case, which represents the most probable outcome and is consistent with our view of the portfolio. In considering the lifetime of a loan, the contractual period of the loan, including prepayment, extension and other options is generally used.

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. The estimation of future cash flows also includes assumptions about local real estate market conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary. The forecast is developed internally by the Manager. We exercise experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

Measurement of ECL - credit impaired financial assets

Allowances for Stage 3 are recorded for individually identified credit impaired debt investments to reduce their carrying value to the expected recoverable amount. The expected recoverable amount is a significant assumption. We review our debt investments on an ongoing basis to assess whether any debt investment carried at amortized cost should be classified as credit impaired and whether an allowance or write-off should be recorded.

The review of individually credit impaired debt investments is conducted at least quarterly by the Manager, who assesses the ultimate collectability and estimated recoveries for a specific debt investment based on all events and conditions that are relevant to the loan. To determine the amount we expect to recover from an individually credit impaired debt investment, we use the value of the estimated future cash flows discounted at the debt investment's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired debt investment reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial asset measured at amortized cost are deducted from the gross carrying amount of the asset.

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(c) Investment properties

Income properties

The Company has elected to account for its investment properties using the fair value method. A property is determined to be an investment property when it is principally held to earn rental income and/or capital appreciation. Investment properties are initially measured at cost including transaction costs associated with acquiring the properties. Subsequent to initial recognition, the investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit or loss during the period in which they arise. The investment properties are measured at fair value based on available market evidence, which may be obtained from external appraisals. The Company may also use alternative valuation methods such as discounted cash flow projections or income capitalization methods where appropriate.

The fair value of the investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects any cash outflows (excluding those relating to future capital expenditures) that could be expected in respect of the investment properties. Subsequent capital expenditures are charged to the investment property only when it is probable that future economic benefits of the expenditure will flow to the Company and the cost can be measured reliably.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount and are recognized in the consolidated statement of net income and comprehensive income at the end of each reporting period of disposal.

(d) Joint arrangements

The Company is a co-owner of a portfolio of investment properties that are subject to joint control and has determined that all current joint arrangements are joint operations as the Company, through its subsidiaries, is the direct beneficial owner of the Company's interest in the investment properties. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to assets and obligations for the liabilities, relating to the arrangement. The Company recognizes its share of the assets, liabilities, revenue and expenses generated from the assets in proportion to its rights (note 5).

(e) Convertible debentures

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value. The convertible debentures are a compound financial instrument as they contain both a liability and an equity component.

At the date of issuance, the liability component of the convertible debentures is recognized at its estimated fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition. Interest, losses and gains relating to the financial liability are recognized in profit or loss.

(f) Gross interest and other income

Gross interest and other income includes interest earned on the Company's mortgage and other investments, lender fees and interest earned on cash and cash equivalents. Interest income earned on mortgage and other investments is accounted for using the effective interest rate method. Lender fees, an integral part of the yield on mortgage and other investments, are amortized to profit and loss over the expected life of the specific mortgage and other investment using the effective interest rate method. Forfeited lender fees are taken to profit and loss at the time a borrower has not fulfilled the terms and conditions of a lending commitment and payment has been received.

(g) Leases

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases are classified as finance leases if all the risks and rewards incidental to ownership of the leased asset are substantially transferred to the lessee. Otherwise they are classified as operating leases.

As lessor in a financing lease, a receivable is recognized equal to the investment in the lease, which is calculated as the present value of the minimum payments to be received from the lessee, discounted at the interest rate implicit in the lease, plus any unguaranteed residual value the Company expects to recover at the end of the lease. Finance lease income is recognized in gross interest and other income, including mortgage syndications in the consolidated statement of net income and comprehensive Income.

As a lessor in an operating lease, payments received are recognized in profit or loss on a straight-line basis over the lease term. Revenue from operating leases include rent, parking and other sundry revenue from investment properties.

(h) Derecognition of financial assets and liabilities

Financial assets - syndications

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that does not qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company enters into transactions whereby it transfers mortgage investments recognized on its statement of financial position, but retains either all, substantially all, or a portion of the risks and rewards of the transferred mortgage investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial assets - modifications

The Company defines loan modification as changes to the original contractual terms of the financial asset that represents a fundamental change to the contract, or changes that may have a significant impact on the contractual cash flow of the asset, including solely for payments of principal and interest criterion. The Company derecognizes the original asset when the modification results in substantial change or expiry in the original cash flows; a new asset is recognized based on the new contractual terms. The new asset is initially recognized in Stage 1, and then assessed for significant increase in credit risk on an ongoing basis. If the Company determines the modifications do not result in derecognition, then the asset will retain its original staging and significant increase in credit risk assessment.

Financial liabilities

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(i) Foreign currency forward contract and interest rate swap

The Company may enter into foreign currency forward contracts and interest rate swaps to economically hedge its foreign currency risk and interest rate risk exposure of its mortgage and other investments. The value of forward currency contracts and interest rate swaps entered into by the Company is recorded as the difference between the value of the contract on the reporting period and the value on the date the contract originated. Any resulting gain or loss is recognized in the statement of net income and comprehensive income unless the foreign currency contract or interest rate swap is designated and effective as a hedging instrument under IFRS. The Company has elected to not account for the foreign currency contracts and interest rate swaps as an accounting hedge.

(j) Income taxes

It is the intention of the Company to qualify as a mortgage investment corporation ("MIC") for Canadian income tax purposes. As such, the Company is able to deduct, in computing its income for a taxation year, dividends paid to its shareholders during the year or within 90 days of the end of the year. The Company intends to maintain its status as a MIC and pay dividends to its shareholders in the year and in future years to ensure that it will not be subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or deferred taxes is required for the Company and its subsidiaries.

(k) New IFRS pronouncements not yet effective

Definition of Accounting Estimates (Amendments to IAS 8)

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

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company will adopt the amendments in its financial statements for the annual period beginning on January 1, 2023. The Company is currently evaluating the impact of the new standard on the financial statements.

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company will adopt the amendments in its financial statements for the annual period beginning on January 1, 2023. The Company is currently evaluating the impact of the new standard on the financial statements.

In thousands of Canadian dollars

4. MORTGAGE AND OTHER INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

(a) Mortgage investments

As at December 31, 2021	Note		Mortgages, including mortgage syndications		Mortgage syndication liabilities		Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost	4(b)(c)	$	**1,553,476**	$	**(445,316)**	$	**1,108,160**
Interest receivable			**9,669**		**(1,345)**		**8,324**
			1,563,145		**(446,661)**		**1,116,484**
Unamortized lender fees			**(10,510)**		**2,232**		**(8,278)**
Allowance for expected credit loss	4(d)		**(2,970)**		**—**		**(2,970)**
Mortgage investments at amortized cost			**1,549,665**		**(444,429)**		**1,105,236**
Mortgage investments at FVTPL			**51,474**		**—**		**51,474**
Interest receivable			**2,500**		**—**		**2,500**
Mortgage investments at FVTPL			**53,974**		**—**		**53,974**
Mortgage investments, including mortgage syndications		**$**	**1,603,639**	**$**	**(444,429)**	**$**	**1,159,210**
Unadvanced Mortgage commitments		$	407,402	$	253,546	$	153,856

As at December 31, 2020		Mortgages, including mortgage syndications		Mortgage syndication liabilities		Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost	$	1,511,783	$	(429,378)	$	1,082,405
Interest receivable		10,682		(1,735)		8,947
		1,522,465		(431,113)		1,091,352
Unamortized lender fees		(8,156)		1,198		(6,958)
Allowance for expected credit loss		(3,710)		—		(3,710)
Mortgage investments at amortized cost		1,510,599		(429,915)		1,080,684
Mortgage investments at FVTPL		60,716		—		60,716
Interest receivable		1,262		—		1,262
Mortgage investments at FVTPL		61,978		—		61,978
Mortgage investments, including mortgage syndications	$	1,572,577	$	(429,915)	$	1,142,662
Unadvanced mortgage commitments	$	248,589	$	144,734	$	103,855

Mortgages classified at FVTPL

The Company establishes fair value for mortgage investments that are classified at FVTPL using an appropriate valuation technique. These valuation techniques include internal valuation models, direct comparison method or discharge prices and/or independent appraisals that employ significant assumptions such as cash flow projection, stabilized net operating income generated from the property to estimate fair value, a capitalization rate/discount rate that reflects the features of the specific underlying property securing the investment and transaction prices for directly comparable properties.

In thousands of Canadian dollars

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. As a result, the Company recorded a $13,584 unrealized fair value loss in the statement of net income and other comprehensive income. 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, which resulted in an unrealized fair value loss in the statement of net income and other comprehensive income of $19,470.

The changes during the year ended December 31, 2021 and year ended December 31, 2020 are as follows:

Mortgage investments, measured at FVTPL		Year Ended December 31, 2021		Year Ended December 31, 2020
Balance, beginning of year	$	**60,716**	$	**75,002**
Fundings		4,342		5,184
Fair value loss		(13,584)		(19,470)
Balance, end of year	$	**51,474**	$	**60,716**

(b) Net mortgage investments

As at		December 31, 2021		December 31, 2020
Interest in first mortgages	**93.2 % $**	**1,080,376**	90.3 % $	1,031,984
Interest in second and third mortgages	**6.8 %**	**79,258**	9.7 %	111,137
	100.0 % $	**1,159,634**	100.0 % $	1,143,121

The mortgage investments are secured by real property and will mature between 2022 and 2025 (December 31, 2020 – 2021 and 2025). During the year ended December 31, 2021, the Company generated net interest income and other income on net mortgage investments, excluding lender fee income and fair value losses of $78,163 (2020 – $82,808).

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

For the year ended December 31, 2021, the Company recognized lender fee income on net mortgage investments, net of fees relating to mortgage syndication liabilities of $8,820 (2020 – $9,851). For the year ended December 31, 2021, the Company recorded non-refundable upfront lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities, of $10,139 (2020 – $7,363), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

In thousands of Canadian dollars

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

As at		December 31, 2021
2022	$	595,530
2023		489,299
2024		70,305
2025		4,500
Total	$	1,159,634

(c) Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third-party lenders take the senior position and the Company retains the subordinated position. The Company generally retains an option to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment. As a result, the lender's portion of these mortgages is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense are recognized in profit and loss and accordingly, only the Company's portion of the mortgage is recorded as mortgage investment. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 19).

In thousands of Canadian dollars

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

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on mortgage and other investments classified at amortized cost. The allowance for credit losses amounted to $3,868 as at December 31, 2021 (December 31, 2020 - $5,323), of which $2,970 (December 31, 2020 - $3,710) was recorded against mortgage investments and $898 (December 31, 2020 - $1,613) was recorded against other investments.

	As at December 31, 2021				As at December 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
Other loans, including mortgage syndications[1]	58,999	—	—	58,999	55,416	—	6,669	62,085
Other loans syndication liabilities[1]	—	—	—	—	—	—	—	—
Net other loans 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**

[1]Including interest receivable
[2]Allowance 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 Stage 1 with minimal ACL.

In thousands of Canadian dollars

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

	Year Ended 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
Balance, beginning of year	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, end of year	**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
Balance, beginning of year	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, end of year	**283**	**52**	**1,753**	**2,088**	**293**	**—**	**954**	**1,247**

Other Loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	97	—	1,516	1,613	25	—	—	25
Allowance for credit losses:								
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, end of year	**$ 898**	**$ —**	**$ —**	**$ 898**	**$ 97**	**$ —**	**$ 1,516**	**$ 1,613**

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.

In thousands of Canadian dollars

	As at December 31, 2021				As at December 31, 2020			
Multi-Residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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 Mortgage Investments[1]	696,717	—	—	696,717	570,759	43,569	3,055	617,383
Allowance for credit losses	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
Low risk	9,120	—	—	9,120	72,957	—	—	72,957
Medium-Low risk	321,997	—	—	321,997	333,990	—	—	333,990
Medium-High risk	54,828	8,404	—	63,232	41,012	—	—	41,012
High risk	—	—	—	—	22,775	—	—	22,775
Default	—	—	25,418	25,418	—	—	3,235	3,235
Net Mortgage Investments[1]	385,945	8,404	25,418	419,767	470,734	—	3,235	473,969
Allowance for credit losses	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
Low risk	—	—	—	—	—	—	—	—
Medium-Low risk	—	—	—	—	—	—	—	—
Medium-High risk	—	—	—	—	—	—	—	—
High risk	58,999	—	—	58,999	55,416	—	—	55,416
Default	—	—	—	—	—	—	6,669	6,669
Net Mortgage Investments[1]	58,999	—	—	58,999	55,416	—	6,669	62,085
Allowance for credit losses	898	—	—	898	97	—	1,516	1,613
	$ 58,101	**$ —**	**$ —**	**$ 58,101**	**$ 55,319**	**$ —**	**$ 5,153**	**$ 60,472**

1. Net of mortgage syndications

(e) Other investments

As at	December 31, 2021	December 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
Investments, 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

For the year ended December 31, 2021, collateralized loans in other investments generated interest income of $5,186 (2020 – $5,064) and amortized lender fee income of $455 (2020 – $259). For the year ended December 31, 2021, the Company recorded non-refundable upfront lender fees of $455 (2020 – $297), which are amortized over the term of the related collateralized loans using the effective interest rate method.

In thousands of Canadian dollars

In October, 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 $5,400 at the time of the transaction. According to the terms of the lease, the lessee has the obligation to purchase the property at $9,934 at the end of the lease term on September 2038 and the option to purchase the property earlier at a prescribed purchase price schedule. The Company has classified the lease as a finance lease and the lease receivable balance of $6,020 (December 31, 2020 - $6,020) is included in other investments. The lease payment began in the third quarter of 2018. Concurrently, the Company entered into a 20-year $3,300 construction loan on the leased property with the lessee which is included in other loan investments. The loan amortization payment began in the fourth quarter of 2019.

The lease receivable payments are due as follows:		Future minimum lease payments		Present value of minimum lease payments
Less than one year	$	125	$	121
Between one and five years	$	693	$	592
More than five years	$	12,586	$	5,307
	$	13,404	$	6,020

5. INVESTMENT PROPERTIES

The Saskatchewan Portfolio, which comprises 14 investment properties totaling 1,079 units that are located in Saskatoon and Regina, Saskatchewan, is subject to joint control based on the Company's decision-making authority with regards to the operating, financing and investing activities of the investment properties. This co-ownership has been classified as a joint operation and, accordingly, the Company recognizes its share of the assets, liabilities, revenue and expenses generated from the assets in proportion to its rights.

			Ownership Interest	
Jointly Controlled Assets	**Location**	**Property Type**	**December 31, 2021**	**December 31, 2020**
Saskatchewan Portfolio	Saskatoon & Regina, SK	Income Properties	**20.46%**	20.46 %

Balance, beginning of year	**$**	**47,862**	$	47,349
Additions		**575**		513
Fair value loss on investment properties		**(4,374)**		—
Balance, end of year	**$**	**44,063**	$	47,862

As at December 31, 2021, the investment properties are pledged as security for the credit facility (note 6(b)).
Investment properties have been categorized as Level 3 fair value assets based on the inputs to the valuation technique used. Subsequent to initial recognition, the investment properties are measured at fair value based on available market evidence.

For the year ended December 31, 2021, the Company recorded a fair value loss of $4,374 on the investment property portfolio reflecting declines in stabilized net operating income ("NOI"). Stabilized NOI on a weighted average basis for the portfolio was $1,172 per property (December 31, 2020 - $1,254). The weighted average capitalization rate for the Company's investment properties is 5.35% ((December 31, 2020 - 5.43%), and a range of 5.25% - 5.50% (December 31, 2020 - 5.25% - 5.75%) was applied to the valuation.

In thousands of Canadian dollars

The fair values of the Company's investment properties are sensitive to changes in the key valuation assumptions. The estimated fair value would decrease by $1,964 (December 31, 2020 - $2,138) if overall capitalization rates were higher by 0.25%; whereas estimated fair value would increase by $2,163 (December 31, 2020 - $2,351) if overall capitalization rates were lower by 0.25%. In addition, the estimated fair value would increase by $440 (December 31, 2020 - $489) if stabilized NOI were higher by 1%; whereas estimated fair value would decrease by $440 (December 31, 2020 - $489) if stabilized NOI were lower by 1%.

6. CREDIT FACILITIES

As at		December 31, 2021		December 31, 2020
Credit facility (mortgage investments)	**$**	**419,999**	$	458,824
Unamortized financing costs (mortgage investments)		**(820)**		(525)
		419,179		458,299
Credit facility (investment properties)		**30,690**		30,690
Unamortized financing costs (investment properties)		**—**		(34)
		30,690		30,656
Total credit facilities	**$**	**449,869**	$	488,955
Derivative liability (interest rate swap contract)	**$**	**—**	$	3,940

(a) Credit facility (mortgage investments)

The Company originally had a $400,000 in revolving credit facility with 10 Canadian banks. By exercising the accordion features on February 13, 2018, November 16, 2018, and September 18, 2020 the Company increased the aggregate credit limit to $535,000. 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 $635,000. As of December 31, 2021, the Company has not exercised the option to increase the limit. General terms of the credit facility remain unchanged. The facility is secured by a general security agreement over the Company's assets and its subsidiaries.

The interest rates and fees of the Seventh 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 Seventh Amending Credit Agreement is $542,152. Borrowing within the credit facility however, is limited to the maximum capacity of $535,000.

In December 2019, the Company entered into a 2-year interest rate swap contract (the "Contract") with three Canadian banks with notional value of $250,000.The Contract matured in December 2021 and was not 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 gains or losses from the Contract are recognized in the statement of net income and comprehensive income.

As the Contract matured in December 2021 and was not renewed, no liability was recorded as of December 31, 2021 (December 31, 2020 - $3,940). 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. For the year ended December 31, 2021, included in financing costs is a fair value gain of $3,940 (2020 – fair value loss of $3,940) related to the Contract.

During the year ended December 31, 2021, the Company incurred financing costs of $1,264 (2020 – $200). The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

Interest on the credit facility is recorded in financing costs and calculated using the effective interest rate method. For the year ended December 31, 2021, included in financing costs on credit facilities is interest on the credit facility of $10,958 (2020 – $13,400), loss on the Contract of $3,940 (2020 – $2,728), and financing costs amortization of $968 (2020 – $909).

(b) 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. Under the terms of the agreement, the co-ownership had a maximum available credit of $162,644. The gross initial advance on the credit facility was $144,644. The Company's share of the initial advance was $29,594 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 $150,000. As at December 31, 2021, the co-owners had borrowed $150,000 from the Credit Facilities. The Company's share of the outstanding amount is $30,690. The Amended and Restated Credit Agreement was extended on October 8, 2021 to mature 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 $31,662. The Company's share of Tranche A is $6,477.

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 $39,690. The Company's share of Tranche B is $8,120.

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 $78,648. The Company's share of Tranche C is $16,091.

In thousands of Canadian dollars

The co-owners of the Saskatchewan Portfolio (note 5) 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.

Interest on the credit facility (investment properties) is recorded in financing costs using the effective interest rate method. For the year ended December 31, 2021, included in financing costs is interest on the credit facility of $814 (2020 – $944) and financing costs amortization of $54 (2020 – $44).

7. REVENUE FROM PROPERTY OPERATIONS

As part of the joint arrangement of the Saskatchewan Portfolio, the Company leases residential properties under operating leases generally with a term of not more than one year and, in many cases, tenants lease rental space on a month-to-month basis. The operating leases mature between the year 2022 and 2023. Rental revenue from operating leases for the year ended December 31, 2021 was $3,023 (2020 – $2,919).

Aggregate minimum lease payments under its non-cancellable operating leases by each of the following periods are as follows:

	December 31, 2021	December 31, 2020
Within 1 year	$ 1,853	$ 2,021
2 to 3 years	48	258

8. CONVERTIBLE DEBENTURES

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

						Year ended December 31,	
Series	**Interest Rate**	**Date of Maturity**	**Interest Payment Date**	**Conversion Price (/share)**	**Equity Component**	**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	1,107	55,000	—
December 2021 Debentures	5.00 %	December 31, 2028	June 30 and December 31	11.40	1,405	46,000	—
Unsecured Debentures, principal						146,000	91,000
Unamortized financing cost and amount allocated to equity component						(8,264)	(2,038)
Debentures, end of year						137,736	88,962

In thousands of Canadian dollars

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	Year ended December 31, 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.

(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. 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.

9. 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.

In thousands of Canadian dollars

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

The changes in the number of common shares were as follows:	Year ended December 31,	
	2021	**2020**
Balance, beginning of year	**80,887,433**	83,254,130
Issuance of common shares	**852,100**	—
Common shares issued under dividend reinvestment plan	**527,877**	551,914
Common shares repurchased for dividend reinvestment plan	**(47,808)**	(434,096)
Common shares repurchased under normal course issuer bid	**—**	(2,484,515)
Balance, end of year	**82,219,602**	80,887,433

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

The Company announced on June 18, 2021 that it has established an ATM Program which allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to $90,000 to the public from time to time, at the Company's discretion. Sales of the common shares under the equity distribution agreement are made through "at-the-market distributions" as defined in National Instrument 44-102 - Shelf Distributions, including sales made directly on the Toronto Stock Exchange (the "TSX"). The common shares distributed under the ATM Program are at the market prices prevailing at the time of sale, and therefore prices vary between purchasers and over time.

For the year ended December 31, 2021, the Company issued 852,100 of common shares for gross proceeds of $8,243 at an average price of 9.67 per common share and paid $165 in commissions to the agent, pursuant to the equity distribution agreement.

(b) Dividend reinvestment plan ("DRIP")

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

For the year ended December 31, 2021, 47,808 common shares were purchased on the open market (2020 – 434,096) for $416 (2020 – $3,592), at an average price of $8.69 (2020 – $8.28) per common share. Additionally, the Company issued 480,069 common shares from treasury (2020 – 117,818) and retained $4,397 in dividends (2020 – $1,134), at an average price of $9.16 (2020 – $9.62) 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. For the year ended December 31, 2021, the Company declared dividends of $56,142, or $0.69 per common share (2020 – $56,447, $0.69 per common share).

As at December 31, 2021, $4,726 in aggregate dividends (December 31, 2020 – $4,651) 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 common 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 March 26, 2020, the Company announced that the TSX approved the Company's normal course issuer bid (the "NCIB") to repurchase for cancellation up to 8,309,785 common shares over a 12-month period. Repurchases under the NCIB commenced on March 30, 2020 and continued until March 29, 2021. For the year ended December 31, 2021, the Company repurchased nil common shares (2020 – 2,484,515) for total amount of nil (2020 – $20,000). The average price per common share repurchased was nil (2020 – $8.05).

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. In 2021 the Company did not purchase shares under this plan

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.

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

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

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

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

For the year ended December 31, 2021, 36,953 units were issued (2020 – 40,466) and as at December 31, 2021, 145,140 units were outstanding (December 31, 2020 – 108,187). DSU expense for the year ended 2021 is $355 (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.

11. 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 the year ended December 31, 2021, the Company incurred management fees plus applicable taxes of $12,031 (2020 – $12,437) and servicing fees including applicable taxes of $700 (2020 – $788). During 2021, Arrangement Fees of $1,513 paid by borrower were retained by the Manager (2020 – $472).

12. EARNINGS PER SHARE

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

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.

In thousands of Canadian dollars

The following table shows the computation of per share amounts:

	Year ended December 31, 2021	2020
Total net income and comprehensive income (basic)	**$ 41,307**	$ 32,002
Interest expense on convertible debentures	—	—
Total net income and comprehensive income (diluted)	**$ 41,307**	$ 32,002
Weighted average number of common shares (basic)	**81,324,595**	81,870,250
Effect of conversion of convertible debentures	—	—
Weighted average number of common shares (diluted)	**81,324,595**	81,870,250
Earnings per share – basic	**$ 0.51**	$ 0.39
Earnings per share – diluted	**$ 0.51**	$ 0.39

13. CHANGE IN NON-CASH OPERATING ITEMS

Change in non-cash operating items:	Year ended December 31, 2021	2020
Other assets	**$ 2,600**	$ 3,091
Accounts payable and accrued expenses	**(301)**	(76)
Due to Manager	**287**	(24)
Prepaid mortgage and other loans interest	**253**	(1,729)
Mortgage and other loans funding holdbacks	**(1,920)**	(1,565)
	$ 919	$ (303)

14. CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Debentures	Year ended December 31, 2021	2020
Balance, beginning of year	**$ 88,962**	$ 133,033
Debenture issuance	**101,000**	—
Capitalized issuance cost paid during the year	**(4,426)**	—
Debenture repayments	**(46,000)**	**(45,800)**
Total financing cash flow activities	**50,574**	(45,800)
Amortization of issue costs and accretion expense	**1,383**	1,729
Capitalized issuance cost, to be paid subsequent to year end	**(671)**	—
Equity component, net of issue costs attributed to equity component	**(2,512)**	—
Total financing non-cash flow activities	**(1,800)**	**1,729**
Balance, end of year	**$ 137,736**	$ 88,962

In thousands of Canadian dollars

	Year ended December 31,	
Credit Facilities	**2021**	**2020**
Balance, beginning of year	$ **488,955**	$ 490,389
Deferred financing cost[1]	**(1,225)**	(211)
Net credit facility (repayments) advances – mortgage investments	**(38,824)**	(2,176)
Total financing cash flow activities	**(40,107)**	(2,387)
Amortization of financing costs	**1,021**	953
Balance, end of year	$ **449,869**	$ 488,955

[1] Deferred financing cost is included in interest paid section in the annual statement of cash flow

15. RELATED PARTY TRANSACTIONS

(a) As at December 31, 2021, due to Manager mainly includes management and servicing fees payable of $1,377 (December 31, 2020 – $1,089).

(b) During 2021, Arrangement Fees of $1,513 paid by borrower were retained by the Manager (December 31, 2020 – $472).

(c) As at December 31, 2021, included in other assets is $4,219 (December 31, 2020 – $14,000) of cash held in trust by Timbercreek Mortgage Servicing Inc. (“TMSI”), the Company’s mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage and other loan funding holdbacks, repayments and prepaid mortgage interest received from various borrowers.

(d) As at 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 $11,611 (December 31, 2020 – $11,611). 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 (December 31, 2020 – $43) from this mortgage investment during the year.

- A mortgage investment with a total gross commitment of $45,715 (December 31, 2020 – $45,715). The Company’s share of the commitment is $4,153 (December 31, 2020 – $4,153). For the year ended December 31, 2021, the Company has recognized net interest income of $263 (December 31, 2020 – $87) from this mortgage investment during the year.

(e) 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 mortgages (December 31, 2020 – 1) totaling $33,211 (December 31, 2020 – $21,711). The Company’s share in these mortgage investments are $9,837 (December 31, 2020 – $6,431).

(f) 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 $4,985 or €3,465 (December 31, 2020 – $5,819 or €3,704), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.

16. INCOME TAXES

As of December 31, 2021, the Company has non-capital losses carried forward for income tax purposes of $32,620 (December 31, 2020 - $29,830), which will expire between 2031 and 2040 if not used. The Company also has future deductible temporary differences resulting from allowance for impairment, prepaid mortgage interest, and unearned income for income tax purposes of $19,498 (December 31, 2020 - $17,139). These temporary differences vary from year to year depending on the current year business activity and lender fee income amounts.

17. CAPITAL RISK MANAGEMENT

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

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

The Company's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. There have been no changes in the process over the previous year.

At December 31, 2021, the Company was in compliance with its investment restrictions.

Pursuant to the terms of the credit facilities, the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum adjusted shareholders' equity, maximum non-debenture indebtedness to adjusted shareholders' equity and maximum consolidated debt to total assets.

18. RISK MANAGEMENT

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

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2021, $1,104,838 of net mortgage investments and $15,626 of other investments bear interest at variable rates (December 31, 2020 – $1,019,219 and $10,968, respectively). Net mortgage investments totaling $1,048,039 have a "floor rate" (December 31, 2020 – $935,458).

If there were a decrease or increase of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments and other investments to net income and comprehensive income for the next 12 months would be a decrease in net income of $46 (December 31, 2020 – $78) or an increase in net income of $3,851 (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 $450,689 as at December 31, 2021 (December 31, 2020 – $489,514). During the year ended December 31, 2019, the Company entered into the Contract (refer to note 6(a)) which reduced exposure in interest rate risk until the Contract matured in December 2021, . As at December 31, 2021, net exposure to interest rate risk was $450,689 (December 31, 2020 – $215,302), and assuming it was outstanding for the entire period, a 0.50% decrease or increase in interest rates, with all other variables constant, will decrease or increase net income and comprehensive income for the next 12 months by $2,253 (December 31, 2020 – $1,077).

The Company's other assets, interest receivable, accounts payable and accrued expenses, prepaid mortgage interest, mortgage and other loan funding holdbacks, dividends payable and due to Manager have no significant exposure to interest rate risk due to their short-term nature. Convertible debentures carry a fixed rate of interest and are not subject to interest rate risk. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk primarily from other investments 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$7,102 and €3,465 in other investments denominated in foreign currencies (December 31, 2020 – US$5,050 and €3,704 in other investments). 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. dollar currency forward contracts with an aggregate notional value of US$6,000, at a forward contract rate of 1.2438, maturing in January 2022. The Company also has one Euro currency contract with an aggregate notional value of €3,500 at 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 and swap contracts was computed using Level 2 inputs which include spot and forward foreign exchange rates.

(c) Credit risk

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

i. adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
ii. ensuring all new mortgage and other investments are approved by the Investment Committee before funding; and

In thousands of Canadian dollars

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 $1,248,303 (December 31, 2020 – $1,236,299).

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.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

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

December 31, 2021	Carrying value	Contractual cash flow	Within a year	Following 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	—	—	—
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

1 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.

2 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.

3 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.

4 Unadvanced mortgage commitments include syndication commitments of which $253,546 belongs to the Company's syndicated partners.

5 The principal repayments of $445,316 mortgage syndication liabilities by contractual maturity date are shown net with mortgage investments in Note 4(b).

In thousands of Canadian dollars

As at December 31, 2021, the Company had a cash position of $6,344 (December 31, 2020 – $428), an unutilized credit facility (mortgage investments) balance of $115,001 (December 31, 2020 – $76,176). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities and the credit facilities.

19. FAIR VALUE MEASUREMENTS

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

		Carrying value		
As at December 31, 2021	**Note**	**Amortized cost**	**Fair value through profit or loss**	**Fair value**
Assets measured at fair value				
Investment properties	5	$ —	$ 44,063	$ 44,063
Financial assets				
Cash and cash equivalents		6,344	—	6,344
Other assets		6,075	—	6,075
Mortgage investments, including mortgage syndications		1,549,665	53,974	1,603,639
Other investments	4(e)	64,020	4,985	69,005
Financial liabilities				
Accounts payable and accrued expenses		3,682	1,443	5,125
Dividends payable		4,726	—	4,726
Due to Manager		1,377	—	1,377
Mortgage funding holdbacks		258	—	258
Prepaid mortgage interest		3,961	—	3,961
Derivative liability (interest rate swap contract)		—	—	0
Credit facility (mortgage investments)		419,179	—	419,999
Credit facility (investment properties)		30,690	—	30,690
Convertible debentures		137,736	—	147,672
Mortgage syndication liabilities		444,429	—	444,429

In thousands of Canadian dollars

As at December 31, 2020	Note	Carrying value: Amortized cost	Carrying value: Fair value through profit or loss	Fair value
Assets measured at fair value				
Investment properties	5	$ —	$ 47,862	$ 47,862
Financial assets				
Cash and cash equivalents		428	—	428
Other assets		14,838	302	15,140
Mortgage investments, including mortgage syndications		1,510,599	61,978	1,572,577
Other investments	4(e)	66,390	5,819	72,209
Financial liabilities				
Accounts payable and accrued expenses		2,079	936	3,015
Dividends payable		4,651	—	4,651
Due to Manager		1,089	—	1,089
Mortgage funding holdbacks		2,177	—	2,177
Prepaid mortgage interest		3,708	—	3,708
Derivative liability (interest rate swap contract)		—	3,940	3,940
Credit facility (mortgage investments)		458,299	—	458,824
Credit facility (investment properties)		30,656	—	30,690
Convertible debentures		88,962	—	91,910
Mortgage syndication liabilities		429,915	—	429,915

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

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

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

(b) Other financial assets and liabilities

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

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

(c) Convertible debentures

The fair value of the convertible debentures is based on a level 1 input, which is the market closing price of convertible debentures at the reporting date.

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the year ended December 31, 2021.

20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

During 2021, the compensation expense of the members of the Board of Directors amounts to $355 (2020 – $341), which is paid in a combination of DSUs and cash. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (note 11).

21. 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.

22. SUBSEQUENT EVENTS

On February 10, 2022, the Company amended its existing revolving credit facility in order to, among other things, bring the aggregate limit under the credit facility up by $40 million to a total of $575 million. As such, the remaining accordion has decreased from $100 million to $60 million. The credit facility was extended for a 2 year term and will mature on February 10, 2024.

BOARD OF DIRECTORS

The directors of Timbercreek Financial have deep experience, established reputations and extensive contacts in the commercial real estate mortgage lending community, as well as in the capital markets and asset management sectors in Canada.

BLAIR TAMBLYN
DIRECTOR, CHIEF EXECUTIVE OFFICER,
TIMBERCREEK FINANCIAL

SCOTT ROWLAND
DIRECTOR, CHIEF INVESTMENT OFFICER,
TIMBERCREEK FINANCIAL

TRACY JOHNSTON, CPA, CA
DIRECTOR, CHIEF FINANCIAL OFFICER,
TIMBERCREEK FINANCIAL

W. GLENN SHYBA
LEAD INDEPENDENT DIRECTOR, TIMBERCREEK FINANCIAL
FOUNDER & PRINCIPAL, ORIGIN MERCHANT PARTNERS

AMAR BHALLA
INDEPENDENT DIRECTOR,
TIMBERCREEK FINANCIAL
PRINCIPAL, AMDEV PROPERTY GROUP

DEBORAH ROBINSON
INDEPENDENT DIRECTOR, TIMBERCREEK FINANCIAL
PRESIDENT & FOUNDER, BAY STREET HR

PAMELA SPACKMAN
INDEPENDENT DIRECTOR,
TIMBERCREEK FINANCIAL
BOARD MEMBER OF WPT INDUSTRIAL REIT

DEREK J. WATCHORN, LL.B.
INDEPENDENT DIRECTOR,
TIMBERCREEK FINANCIAL
CONSULTANT

LEADERSHIP

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CHIEF EXECUTIVE OFFICER

SCOTT ROWLAND
CHIEF INVESTMENT OFFICER

TRACY JOHNSTON, CPA, CA
CHIEF FINANCIAL OFFICER

GEOFF MCTAIT
MANAGING DIRECTOR,
ORIGINATION – CANADA & HEAD OF GLOBAL SYNDICATION

PATRICK SMITH
MANAGING DIRECTOR, GLOBAL CREDIT – CANADA

JOHN WALSH
VICE PRESIDENT, CORPORATE SECRETARY

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