

Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the three months and nine months ended September 30, 2023



TIMBERCREEK
FINANCIAL

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

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

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in, geopolitical uncertainty, and the risks detailed from time to time in the Company's public disclosures. For more information on risks, please refer to the "Risks and Uncertainties" section in this MD&A, and the "Risk Factors" section of our Annual Information Form ("AIF"), which can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR+") website at www.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 November 1, 2023. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Company's website at www.timbercreekfinancial.com. Additional information about the Company, including its AIF, can be found at www.sedar.com.

BUSINESS OVERVIEW

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

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

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

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

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three and nine months ended September 30, 2023. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022, and the audited consolidated financial statements for the years ended December 31, 2022 and 2021, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

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

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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

NON-IFRS MEASURES

The Company prepares and releases unaudited interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures").

The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of the Company's ability to earn and distribute recurring cash flows and earnings for dividends and provide a clearer understanding of the Company's financial performance.

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

Non-IFRS financial measures for net mortgage investments:

- i. Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and 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 WALTV computation. This is a key measure to explain period to period performance variances of net mortgage investments.
- iii. Turnover ratio – represents total borrower repayments and syndications of mortgage investments that occurred more than 30 days past the initial net mortgage investment advance date during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period. The Company makes mortgages or loans to only commercial borrowers that are short-term (generally one to five years), and as such the portfolio turnover rate is higher than typical mortgage portfolios which include individual or non-commercial borrower loans. This is a key measure to explain period to period performance variances of net mortgage investments as turnover from both scheduled and early repayments impacts revenue.
- iv. Weighted average interest rate for the period – represents the weighted average of daily interest rates (not including lender fees) on the net mortgage investments for the daily period. As a result, the Company complements IFRS measures (which presents financial positions as a point of time basis) with weighted daily average data to explain significant variances. This is a key measure to explain period to period performance variances of net mortgage investments.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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

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

It is the Company's view that IFRS net income and earnings per share ("EPS") measures do not necessarily provide a complete measure of the Company's operating performance as IFRS net income and EPS include non-cash items such as amortization of lender fees, amortization of financing costs, unrealized fair value changes, and 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 to assess its dividend paying capacity. A reconciliation of the distributable income is provided in "Analysis of Financial Information for the Period" section of the MD&A.

Payout ratio on distributable income is a non-IFRS financial measure of the Company's ability to generate cash flows for dividends. Payout ratio on earnings per share, where earnings is calculated on an IFRS basis, is a common measure of the sustainability of a company's dividend payments and is useful when comparing it to other companies of similar industries.

- i. Distributable income – represents the Company's ability to generate cash flows for dividends by removing the effect of amortization, accretion, unrealized fair value adjustments, allowance for mortgage investments loss, and unrealized gain or loss from total net income and comprehensive income.
- ii. Distributable income per share – represents the total distributable income divided by the weighted average common shares outstanding for the stated period.
- iii. Payout ratio on distributable income – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.
- iv. Payout ratio on earnings per share – represents total common share dividends paid and declared for payment, divided by total net income and comprehensive income for the stated period.
- v. Adjusted distributable income – represents distributable income adjusted for the impact of a realized gain/(loss) on an investment measured at FVTPL as well as non-recurring foreign currency gains on other investments.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

- 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.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

RECENT DEVELOPMENTS AND OUTLOOK

The Company is pleased to report its Q3 2023 results, which were highlighted by net investment income of \$30.3 million (Q3 2022 – \$30.0 million) as well as material progress on the resolution of Stage 3 assets. Earnings per share and distributable income per share were \$0.20 and \$0.20 versus \$0.16 and \$0.20, respectively, in the same period last year, demonstrating continued strong underlying fundamentals. The distributable income payout ratio continues to be low at 85.6%, reinforcing the Company's ability to generate healthy cash flows and dividends.

The loan portfolio of \$1,068.6 million had a weighted-average interest rate for the quarter of 9.9%. In Q3 2023, the Company advanced net new mortgages of \$58.2 million, and \$17.5 million on existing mortgages, offset by total mortgage portfolio repayments of \$66.5 million. Mortgage repayment activity continued to be low in the third quarter, and portfolio turnover decreased to 6.0% compared to 11.6% in Q2 2023. The third quarter transaction levels were indicative of general slowness in the overall commercial real estate market as buyers and sellers await more stability in the interest rate outlook. Recent inflation numbers indicate that the Bank of Canada may pause further interest rate hikes which is expected to create more confidence in the market overall and the resumption of transactional activity. As discussed in the past two quarters, the Company has been able to originate loans at slightly lower loan-to-values ("LTV") and modestly lower rates while ensuring sufficient cash to generate an attractive payout ratio on distributable income and earnings per share.

To combat the inflationary environment, central banks around the world including the Bank of Canada have increased interest rates with unprecedented speed. The results of these increases are working through the economy, with inflation numbers contracting and forward rate curves indicating that the tightening cycle is near its peak. While higher floating rates have materially increased top-line income for lenders, including Timbercreek, it has put pressure on certain borrowers, especially those whose debt costs have increased much faster than rents (which will increase with inflation, but tend to lag) or those with demand issues such as office borrowers where occupancy is down considerably due to work-from-home policies. The Timbercreek portfolio has seen an increase in Stage 2 and Stage 3 loans over the past year as these issues work their way broadly through the commercial real estate industry. While the Timbercreek portfolio continues to generate substantial distributable income and EPS, there are specific situations that require active management to resolve. This is a cyclical reality of Timbercreek's market segment, and one that the Company has demonstrated that it has the experience and expertise to manage over 15 years. The approach to resolving these situations varies from loan to loan, but overall management remains confident in the quality of the underlying assets and ensuring the best outcomes for our shareholders. To that end, the Company would like to provide the following updates:

On August 31, 2023, the Company, and its syndicate partners successfully credit bid three collateral assets for which the associated mortgage investment was previously a Stage 3 loan, and now own 100% of the real estate (a group of three senior living properties). Timbercreek has installed an experienced third-party operator for the assets and is currently in negotiations for a 3rd party sale that will return the investment to a performing loan with a material pay down from the purchaser. The Company is hopeful to have material progress on this transaction by year-end. Currently the gross asset is recognized as the real estate properties inventory with a corresponding liability for the syndicate's 50% share of the asset. As of August 31, the Company recorded its net share of the investment at its carrying value and the Company expects a full recovery.

In Q3 2023, a portfolio of seven Stage 3 loans held in receivership totaling \$146.1 million received an offer for purchase. The process has materially progressed to the point that the sale is expected to close in Q4 2023 and would result in repayment of all principal and interest in arrears in late Q4 2023 or early Q1 2024. Whether through this transaction, or another counterparty, the Company remains confident that active management of the file should result in a complete, or materially complete exit of the investment.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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

Stage 3 loans:

1. \$11.1 million net mortgage investment in a multi-family loan currently part of a CCAA process.
Status: In Q3 the asset remains in Stage 3, however, in Q4 2023, a purchaser of the underlying asset was selected through a bid process run by the receiver. The new purchaser will join the existing joint-venture owner to complete the construction of the multi-family asset. The Company expects the loan to be performing in Q4 2023, including the Company being made current on its interest arrears. The Company ultimately expects full repayment of the loan.
2. \$146.1 million net mortgage investments relating to seven income producing multi-family loans with the same sponsor.
Status: See note above.
3. \$15.6 million net mortgage investment condo inventory exposure.
Status: \$2.3 million of inventory was sold in Q3 with more units set to close in Q4 2023. The Company is satisfied with the sales process and the proceeds received and expects the remainder of the loan to be repaid by the end of 2024. The original inventory balance was \$23.7 million.
4. \$8.8 million net mortgage investment on a medical office building.
Status: The Company engaged a new property manager in Q2 2023 with deep expertise in the market to complete the leasing strategy. The investment team is confident that the intended repositioning plan of the asset will generate the best outcome for the property and the ultimate repayment of principal. At the same time, the Company is currently selecting a broker to potentially list the asset for sale in Q1 2024.

Stage 2 loans:

1. \$16.5 million net mortgage income producing multi-family loan.
Status: The loan matured in Q2 but is going to be extended for an additional 12-month period to enable the borrower to either sell the property or seek CMHC financing. The Company continues to expect full principal repayment on the loan.
2. \$53.6 million net mortgage investments relating to three income producing office assets and one retail asset across three loans with the same sponsor in Calgary.
Status: The borrower failed to pay interest as of September and we are currently working through our legal remedies to protect our interests. We are also in active discussions with the borrower about a potential forbearance agreement and we will likely determine next steps in the coming weeks. While the Calgary office market has been challenging for many years, some positive absorption, planned office conversions to multi-family and the high price of oil are all contributing to some optimism for the market. In addition, the loans are structured with material pay down guarantees from non-related future asset sales that will reduce the loan basis by approximately 20% or \$10 million. In short, there is more news to come with these assets, but with the structured pay downs and active management, we expect to work through this situation to realize full repayment.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

PORTFOLIO ACTIVITY

In Q3 2023, the Company advanced \$58.2 million on 7 new net mortgage investments and made additional advances of \$17.5 million. Portfolio turnover decreased to 6.0% (with total mortgage portfolio repayments of \$66.5 million, including borrower repayments of \$61.9 million), compared with 11.6% in Q2 2023. In addition, on August 31, the Company exchanged a mortgage investment of \$64.4 million for ownership of the underlying collateral. This reduced the net value of the mortgage portfolio, excluding syndications, by \$55.1 million (from \$1,123.7 million in Q2 2023 to \$1,068.6 million at the end of Q3 2023). The Company's credit facility had a balance of \$405.1 million at the end of Q3 2023, compared to \$360.9 million at the end of Q2 2023.

At the end of Q3 2023, 86.5% of the mortgage investments were secured by income-producing properties ("IPP"), compared to 87.7% in Q2 2023. Multi-residential real estate assets (apartment buildings) continue to comprise the largest portion of the portfolio at 58.2% at quarter end, compared to 50.1% in Q2 2023.

The Company's exposure to first mortgages was 92.2% of the net mortgage portfolio at quarter end. WALTV of 67.0% was slightly lower compared to 68.3% WALTV in Q2 2023. Our weighted average interest rate in Q3 2023 was 9.9% with an exit rate of 10.1% as at September 30, 2023, which is slightly higher than the 9.9% exit rate at June 30, 2023. The distributable income payout ratio was 85.6% in Q3 2023.

The Company's mortgage portfolio remains heavily weighted toward Canada's largest provinces, with approximately 96.5% of the capital invested in Ontario, British Columbia, Quebec and Alberta, and focused on urban markets that generally experience better real estate liquidity. Originations in the quarter were largely centered around low LTV multi-family assets. Management continues to see a good volume of opportunities in its core multi-residential categories and industrial. The Company believes it can achieve the appropriate risk/return while providing safety in additional diversification.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

FINANCIAL HIGHLIGHTS
KEY FINANCIAL
POSITION INFORMATION

	September 30, 2023	September 30, 2022	December 31, 2022
Net mortgage investments ¹	\$ 1,068,606	\$ 1,255,367	\$ 1,195,809
Enhanced Return Portfolio ¹	\$ 59,283	\$ 71,241	\$ 72,945

CAPITAL STRUCTURE

Total assets	\$ 1,906,504	\$ 2,066,370	\$ 1,916,039
Total liabilities	\$ 1,203,827	\$ 1,367,392	\$ 1,217,496
Shareholders' equity	\$ 702,677	\$ 698,978	\$ 698,543
Book value per share	\$ 8.43	\$ 8.32	\$ 8.33
Convertible debentures, par	\$ 146,000	\$ 146,000	\$ 146,000
Credit facility	\$ 404,871	\$ 514,084	\$ 450,347
Total debentures and credit facility utilized	\$ 550,871	\$ 660,084	\$ 596,347
Maximum credit limit available	\$ 577,646	\$ 740,836	\$ 700,528
Credit utilization rate	95.4 %	89.1 %	85.1 %

COMMON SHARE INFORMATION

Number of common shares outstanding	83,342,116	83,995,016	83,887,516
Closing trading price	\$ 6.76	\$ 7.60	\$ 7.11
Market capitalization	\$ 563,393	\$ 638,362	\$ 596,440

1. Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

OPERATING RESULTS¹

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
NET INCOME AND COMPREHENSIVE INCOME					
Net investment income on financial assets measured at amortized cost	\$30,303	\$29,982	\$94,483	\$78,461	\$109,803
Fair value gain and other income on financial assets measured at FVTPL	231	403	819	652	1,388
Net rental (loss) income	(270)	(291)	(922)	127	(151)
Fair value gain (loss) on real estate properties	—	—	63	(378)	(296)
Expenses	(4,115)	(7,530)	(13,697)	(15,921)	(22,592)
Income from operations	\$26,149	\$22,564	\$80,746	\$62,941	\$88,152
Financing costs:					
Financing cost on credit facility	(7,444)	(6,788)	(22,550)	(15,097)	(23,234)
Financing cost on convertible debentures	(2,250)	(2,256)	(6,749)	(6,762)	(9,022)
Net income and comprehensive income	\$16,455	\$13,520	\$51,447	\$41,082	\$55,896
Payout ratio on earnings per share	87.4 %	107.2 %	84.1 %	105.3 %	103.3 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME					
Net income and comprehensive income	\$16,455	\$13,520	\$51,447	\$41,082	\$55,896
Add: Net unrealized (gain) loss on financial assets measured at FVTPL	(61)	369	(50)	1,691	1,546
Add: Net unrealized loss on real estate properties	—	—	—	95	95
Adjusted net income and comprehensive income¹	\$16,394	\$13,889	\$51,397	\$42,868	\$57,537
Payout ratio on adjusted earnings per share ¹	87.7 %	104.3 %	84.2 %	100.9 %	100.3 %
PER SHARE INFORMATION					
Dividends declared to shareholders	\$14,378	\$14,491	\$43,263	\$43,241	\$57,721
Weighted average common shares (in thousands)	83,347	84,005	83,621	83,505	83,622
Dividends per share	\$0.17	\$0.17	\$0.52	\$0.52	\$0.69
Earnings per share (basic)	\$0.20	\$0.16	\$0.62	\$0.49	\$0.67
Earnings per share (diluted)	\$0.19	\$0.16	\$0.60	\$0.49	\$0.67
Adjusted earnings per share (basic) ¹	\$0.20	\$0.17	\$0.61	\$0.51	\$0.69
Adjusted earnings per share (diluted) ¹	\$0.19	\$0.17	\$0.60	\$0.51	\$0.69

1. Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

OPERATING RESULTS¹

DISTRIBUTABLE INCOME	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
Adjusted net income and comprehensive income ¹	\$ 16,394	\$ 13,889	\$ 51,397	\$ 42,868	\$ 57,537
Less: Amortization of lender fees	(1,747)	(2,425)	(6,393)	(6,978)	(8,726)
Add: Lender fees received and receivable	1,053	1,076	4,434	5,652	7,708
Add: Amortization of financing costs, credit facility	129	253	554	722	984
Add: Amortization of financing costs, convertible debentures	243	250	729	753	1,006
Add: Accretion expense, convertible debentures	113	113	340	340	454
Add: Unrealized fair value gain on DSU	(86)	(78)	(59)	(168)	(201)
Add: Allowance for expected credit loss	692	3,732	1,867	4,682	7,482
Distributable income and adjusted distributable income^{1,2}	\$ 16,791	\$ 16,810	\$ 52,869	\$ 47,871	\$ 66,244
Payout ratio on distributable income and adjusted distributable income ^{1,2}	85.6 %	86.2 %	81.8 %	90.3 %	87.1 %
PER SHARE INFORMATION					
Dividends declared to shareholders	\$ 14,378	\$ 14,491	\$ 43,263	\$ 43,241	\$ 57,721
Weighted average common shares (in thousands)	83,347	84,005	83,621	83,505	83,622
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.52	\$ 0.52	\$ 0.69
Distributable and adjusted distributable income per share ¹	\$ 0.20	\$ 0.20	\$ 0.63	\$ 0.57	\$ 0.79

1. Refer to non-IFRS measures section.

2. There are no adjustments for the periods presented.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

For the three months ended September 30, 2023 ("Q3 2023") and September 30, 2022 ("Q3 2022")

- The net mortgage investment portfolio has decreased by \$55.1 million from \$1,123.7 million at the end of Q2 2023, to \$1,068.6 million at the end of Q3 2023 (Q3 2022 – \$1,255.4 million). The Company advanced \$75.7 million in net mortgage investments, offset by total mortgage portfolio repayments of \$66.5 million, including borrower repayments of \$61.9 million. In addition, the Company also exchanged a mortgage investment of \$64.4 million for ownership of the underlying collateral, which it intends to sell.
- On net mortgage investment advances, the Company advanced 7 new net mortgage investments (Q3 2022 – 9) totaling \$58.2 million (Q3 2022 – \$54.2 million) and made additional advances on existing net mortgage investments of \$17.5 million (Q3 2022 – \$34.6 million). The collateral on new advances in net mortgage investments comprised of mainly multi-residential real estate assets. The weighted average interest rate on net mortgages' advances was 9.0%, consistent with 9.0% in Q2 2023 (Q3 2022 – 10.0%).
- On net mortgage investment repayments, 6 net mortgage investments (Q3 2022 – 7) were fully repaid. The Company received total mortgage portfolio repayments of \$66.5 million (Q3 2022 – \$68.1 million), including borrower repayments of \$61.9 million (Q3 2022 – \$41.2 million). The weighted average interest rate on fully repaid net mortgage investments was 10.6%. The turnover ratio was 6.0% for Q3 2023 compared to 3.3% in Q3 2022.
- The quarterly weighted average interest rate on net mortgage investments was 9.9% in Q3 2023, compared to 9.8% in Q2 2023 (Q3 2022 – 8.5%), reflecting one Bank of Canada rate increase in the quarter of 25 basis points.
 - In Q3 2022, first mortgage positions represented 90.9% of the net mortgage investments whereas in Q3 2023 first mortgage positions represented 92.2% of the net mortgage investments.
 - Interest rate exposure in the existing portfolio was well protected at the end of Q3 2023 floating rate loans with rate floors representing 87.5% (Q3 2022 – 87.3%). Of the remaining portfolio, 6.7% (Q3 2022 – 5.7%) is allocated to floating rate loans without floors and 5.9% (Q3 2022 – 7.0%) is allocated to fixed rate loans.
- Other investments within the enhanced return portfolio were \$59.3 million (Q3 2022 – \$71.2 million), year-over-year decrease of \$12.0 million was primarily due to loan repayments.
- Net investment income on financial assets measured at amortized cost increased by \$300 from the previous year (\$30.3 million in Q3 2023 compared to \$30.0 million in Q3 2022), predominantly attributable to significantly higher interest rates compared to Q3 2022, positively impacting the variable rate loans, offset by a lower average balance in net mortgage investments (\$1,099.7 million in Q3 2023 compared to \$1,201.0 million in Q3 2022).
- Fair value gain and other income on financial assets measured at FVTPL decreased from a gain of \$403 in Q3 2022 to a gain of \$231 in Q3 2023.
- Net rental loss from real estate inventory was \$270 (Q3 2022 – loss of \$291) for the quarter related to operating losses on the real estate inventory. Included in the quarter was a one-month of net rental income from the real estate properties inventory which was acquired on August 31, 2023.
- No fair value loss on real estate properties was recorded in Q3 2023 (Q3 2022 – loss of nil).
- Expenses for the quarter were \$4.1 million (Q3 2022 – \$7.5 million).
 - Management fees of \$2.8 million (Q3 2022 – \$3.0 million). The average gross assets were \$1,222.6 million compared to \$1,388.7 million in Q3 2022.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

- General and administrative expenses of \$400 for Q3 2023 (Q3 2022 – \$0.6 million), after adjusting for the impact of DSU market-to-market gain of \$86 (Q3 2022 – gain of \$78) and foreign exchange gain of \$10 (Q3 2022 – gain of \$10), general and administrative expenses were \$0.5 million (Q3 2022 – \$0.7 million) for the quarter, representing a decrease of \$180 over the comparable quarter primarily due to the timing of recognition of certain expenses in 2023, slightly offset by non-reimbursable legal costs associated with Stage 3 loans in Quebec occurred in 2023. These costs may persist for the balance of the year as the Company continues to work through resolution on these loans.
- Provisions for mortgage investment losses of \$0.7 million for Q3 2023 (Q3 2022 – \$3.7 million) represents a net increase in loan loss provisions in the quarter on Stage 3 loans. The loan loss provisions are an approximation of losses on the Stage 3 loans and include future interest on the loans until the anticipated exit/resolution date of the loan. Management continues to be optimistic that it will recover the principal amounts on its loans.
- Income from operations saw a \$3.5 million increase over the prior year (\$26.1 million in Q3 2023 compared to \$22.6 million in Q3 2022) largely driven by a decrease in ACL provisions of \$3.0 million as noted above.
- Financing cost on credit facility was \$7.4 million (Q3 2022 – \$6.8 million), including interest expense of \$7.3 million (Q3 2022 – \$6.5 million) and financing cost amortization of \$129 (Q3 2022 – \$253). An increase in interest expense of \$0.8 million over the prior year comparative period was largely due to 175 basis points of Bank of Canada policy rate increases since the comparable quarter (Q3 2023 – prime rate of 7.20% compared to Q3 2022 – 5.45%), partially offset by a \$151.8 million decrease in average credit utilization (Q3 2023 was \$371.9 million compared to \$523.7 million in Q3 2022).
- Financing cost on the convertible debentures was \$2.3 million (Q3 2022 – \$2.3 million), including interest expense of \$1.9 million (Q3 2022 – \$1.9 million) and financing cost amortization and accretion expense of \$356 (Q3 2022 – \$363).
- Net income and comprehensive income of \$16.5 million (Q3 2022 – \$13.5 million) or basic and diluted earnings per share of \$0.20 (Q3 2022 – \$0.16 basic and diluted earnings per share), representing a payout ratio on earnings per share of 87.4% (Q3 2022 – 107.2%). The results improved over the prior period as a result of lower ACL provisions.
- After adjusting for the unrealized fair value loss from financial assets measured at FVTPL of \$61 (Q3 2022 – loss of \$369), the Company generated adjusted net income and comprehensive income of \$16.4 million (Q3 2022 – \$13.9 million) or basic and diluted adjusted earnings per share of \$0.20 and \$0.19 (Q3 2022 – \$0.17 and \$0.17) basic and diluted adjusted earnings per share).
- The Company declared \$14.4 million in dividends to common shareholders (Q3 2022 – \$14.5 million), representing a payout ratio of 87.7% (Q3 2022 – 104.3%) on an adjusted earnings per share basis.
- Non-refundable lender fees recorded were \$1.1 million (Q3 2022 – \$1.1 million), resulting from higher originations in the period, \$63.7 million in Q3 2023 versus \$54.2 million in Q3 2022, offset by lower weighted average lender fees on new mortgages. The quarterly weighted average lender fees on new and renewed mortgages was 0.7% during the quarter (Q3 2022 – 0.7%), while the quarterly weighted average lender fee on new mortgages only was 1.0% (Q3 2022 – 1.2%).
- The Company generated distributable income and adjusted distributable income of \$16.8 million (Q3 2022 – \$16.8 million) or distributable income and adjusted distributable income per share of \$0.20 (Q3 2022 – \$0.20 per share) representing a payout ratio of 85.6% (Q3 2022 – 86.2%) for the quarter.
- On May 24, 2023, the Company renewed its Normal-Course Issuer Bid program (the "NCIB") to repurchase shares. During Q3 2023, the Company repurchased 108,300 (Q3 2022 – 10,000) common shares for cancellation at an average price of \$7.40 (Q3 2022 – \$7.59) per share.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

For the nine months ended September 30, 2023 ("YTD 2023") and September 30, 2022 ("YTD 2022")

- The net mortgage investment portfolio as at September 30, 2023 decreased by \$127.3 million to \$1,068.6 million from the net mortgage investment portfolio as at December 31, 2022 of \$1,195.8 million. The Company advanced \$235.8 million in net mortgage investments, offset by total mortgage portfolio repayments of \$298.7 million, including borrower repayments of \$251.3 million. In addition, the Company also exchanged a mortgage investment of \$64.4 million for ownership of the underlying collateral, which it intends to sell.
- The Company advanced 20 new net mortgage investments (YTD 2022 – 41) totaling \$162.2 million (YTD 2022 – \$420.4 million), made additional advances on existing net mortgage investments totaling \$73.6 million (YTD 2022 – \$64.6 million).
- On net mortgage investment repayments, 28 (YTD 2022 – 30) were fully repaid with a balance of \$232.4 million (YTD 2022 – \$219.6 million). Partial repayments on net mortgage investments were \$19.0 million (YTD 2022 – \$42.2 million). The Company syndicated \$47.3 million of its mortgage investments.
- WALTV decreased to 67.0% as at September 30, 2023 compared to 68.3% as at December 31, 2022. This is primarily due to new mortgage originations at lower LTVs and repayment of loans with higher LTVs.
- Net mortgage investments of \$1,068.6 million bore a weighted average interest rate of 10.1% as at September 30, 2023 (December 31, 2022 – \$1,195.8 million, 10.0%), a slight increase year-over-year resulting primarily from interest rate increases of 250 basis points since September 2022, offset by new mortgage originations at lower rates corresponding to the lower LTVs discussed earlier. Weighted average interest rate in the existing net mortgage portfolio is well protected at the end of Q3 2023 with only 5.9% of the portfolio at fixed interest rate (December 31, 2022 – 6.0%) and floating interest rate loans with rate floors representing 87.5% of the portfolio (December 31, 2022 – 88.5%).
- Other investments within the enhanced return portfolio were \$59.3 million, including an allowance for credit loss of \$0.4 million (December 31, 2022 – \$72.9 million and \$0.7 million, respectively). The decrease in other investments was due to repayments of collateralized loans in the year.
- Net investment income on financial assets measured at amortized cost was \$94.5 million (YTD 2022 – \$78.5 million), an increase of \$16.0 million, or 20.4% from YTD 2022. The increase in net investment income for YTD 2023, as compared to YTD 2022 was primarily due to the 175 basis points of Bank of Canada policy rate increases (September 30, 2023 – prime rate of 7.20% compared to September 30, 2022 – prime rate of 5.45%), partially offset by lower average net mortgage investments through the year.
- Fair value gain and other income on financial assets measured at FVTPL was higher in 2023, a net gain of \$0.8 million YTD 2023 compared to a net gain of \$0.7 million in YTD 2022.
- Net rental loss from real estate inventory was \$0.9 million (YTD 2022 – income of \$127), relating to operating losses at a Marina on the Lagoon City Lands. During the quarter, \$277 of non-recurring expenses were incurred at the Marina. Net operating losses from the real estate land inventory were partially offset by net operating income from real estate properties inventory of \$230 (YTD 2022 - nil).
- Fair value gain of \$63 on real estate properties was recorded in YTD 2023 (YTD 2022 – loss of \$378).
- Expenses for YTD 2023 were \$13.7 million (YTD 2022 – \$15.9 million).
 - Management fees of \$9.0 million (YTD 2022 – \$9.2 million). The average gross assets were lower at \$1,253.4 million compared to \$1,368.2 million in YTD 2022.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

- General and Administrative expenses of \$2.3 million (YTD 2022 – \$1.5 million), after adjusting for the impact of DSU mark-to-market gain of \$59 (YTD 2022 – loss of \$108) and foreign exchange loss of \$15 (YTD 2022 – \$371), general and administrative expenses increased by \$271 largely due to non-reimbursable legal costs associated with Stage 3 loans in Quebec, and inflation impact on professional costs. The legal costs may persist for the balance of the year as the Company continues to work through resolution on these loans.
- Provisions for mortgage investment losses were \$1.9 million (YTD 2022 – \$4.7 million), representing a net decrease in loan loss provisions in the year on Stage 3 loans. The loan loss provisions are an approximation of losses on the Stage 3 loans and include forward looking interest on the loans until the anticipated exit/resolution date of the loan. Management continues to be optimistic that it will recover the principal amounts on its loans.
- The Company generated income from operations of \$80.7 million (YTD 2022 – \$62.9 million). This is an increase of \$17.8 million or 28.3% from YTD 2022 driven by the factors noted above.
- Financing costs on credit facility were \$22.6 million (YTD 2022 – \$14.8 million), including interest expense of \$22.0 million (YTD 2022 – \$14.1 million) and financing cost amortization of \$0.6 million (YTD 2022 – \$0.7 million). The significant increase in financing costs was primarily due to 475 basis points of Bank of Canada policy rate increases over the comparable period (September 30, 2023 – prime rate of 7.20% compared to January 1, 2022 at 2.45%), partially offset by a 22% lower average utilization of the credit facility (YTD 2023 – \$401.7 million versus YTD 2022 – \$514.7 million).
- For YTD 2023 financing cost on the convertible debentures was \$6.7 million (YTD 2022 - \$6.8 million), including interest expense of \$5.7 million (YTD 2022 – \$5.7 million), reflecting the fact that there are three series of convertible debentures outstanding in the current year, same as prior year and amortization and accretion of \$1.1 million (YTD 2022 - \$1.1 million).
- The Company generated net income and comprehensive income of \$51.4 million (YTD 2022 – \$41.1 million) or basic and diluted earnings per share of \$0.62 and \$0.60 (YTD 2022 – basic and diluted earnings per share of \$0.49), representing a payout ratio on earnings per share of 84.1% (YTD 2022 – 105.3%). The results were significantly improved over the prior year period as a result of higher top-line interest income and lower ACL.
- The Company generated adjusted net income and comprehensive income of \$51.4 million (YTD 2022 – \$42.9 million) or basic and diluted adjusted earnings per share of \$0.61 and \$0.60 (YTD 2022 – basic and diluted adjusted earnings per share of \$0.51). The Company declared \$43.3 million in dividends (YTD 2022 – \$43.2 million) to common shareholders, representing a payout ratio of 84.2% (YTD 2022 – 100.9%) on an adjusted earnings per share basis.
- Non-refundable lender fees recorded were \$4.4 million (YTD 2022 – \$5.7 million). Lower lender fees are attributable to both decreased originations from low turnover and lower lender fee rates. The overall weighted average lender fee on new and renewed mortgages during the year was 0.7% (YTD 2022 – 1.0%), while the weighted average lender fee on only new mortgages YTD 2023 was 1.1% (YTD 2022 – 1.3%).
- The Company generated distributable and adjusted distributable income of \$52.9 million (YTD 2022 – \$47.9 million) or distributable and adjusted distributable income per share of \$0.63 (YTD 2022 – distributable and adjusted distributable income per share of \$0.57), representing a payout ratio of 81.8% (YTD 2022 – 90.3%) on an adjusted distributable income basis.
- On May 24, 2023, the Company announced that the TSX approved the Company's NCIB to repurchase for cancellation up to 8,305,467 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on May 26, 2023, and continue until May 25, 2024 upon expiry. In 2023 the Company repurchased 545,400 (YTD 2022 – 10,000) shares for \$4.1 million (YTD 2022 – \$75) at an average price of \$7.43 (YTD 2022 – \$7.59) per share.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Net investment income on financial assets measured at amortized cost

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

For Q3 2023 and YTD 2023, the Company earned net investment income on financial assets measured at amortized cost of \$30.3 million and \$94.5 million (Q3 2022 – \$30.0 million; YTD 2022 – \$78.5 million). Net investment income includes the following:

a. Interest income

During Q3 2023 and YTD 2023, the Company earned interest income on mortgage investments at amortized cost of \$27.2 million and \$83.8 million (Q3 2022 – \$26.1 million; YTD 2022 – \$67.1 million). The weighted average interest rate on net mortgage investments during Q3 2023 and YTD 2023 was 9.9% and 9.8%, respectively (Q3 2022 – 8.5%; YTD 2022 – 7.4%). The increase in interest income for the quarter and for the year was due to rate increases throughout the year, offset by lower weighted-average net mortgage investments over both periods.

During Q3 2023 and YTD 2023, the Company earned \$1.2 million and \$3.8 million (Q3 2022 – \$1.5 million; YTD 2022 – \$4.2 million) of interest income on collateralized loans in other investments in the enhanced return portfolio. The decreased interest income for the quarter is a result of a lower collateralized loan portfolio offset by higher weighted average interest rates due to rate increases in 2023 and through 2022.

b. Lender fee income

During Q3 2023 and YTD 2023, the Company amortized lender fee income on net mortgage investments, net of fees relating to mortgage syndication liabilities of \$1.7 million and \$6.1 million (Q3 2022 – \$2.2 million; YTD 2022 – \$6.6 million). Additionally, in Q3 2023 and YTD 2023, the Company recorded non-refundable upfront lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities, of \$1.1 million and \$4.1 million (Q3 2022 – \$1.1 million; YTD 2022 – \$5.5 million), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

During Q3 2023 and YTD 2023, other loan investments amortized lender fee income of \$67 and \$341 (Q3 2022 – \$159; YTD 2022 – \$345). Additionally, in Q3 2023 and YTD 2023, the Company recorded non-refundable upfront cash lender fees of nil and \$300 (Q3 2022 – nil; YTD 2022 – \$193), which are amortized over the term of the related other loan investments using the effective interest rate method.

The weighted average lender fee on new and renewed mortgages of 0.7% and 0.7% for Q3 2023 and YTD 2023, respectively (Q3 2022 – 0.7%; YTD 2022 – 1.0%), while the weighted average lender fee on new mortgages only was 1.0% and 1.1% for Q3 2023 and YTD 2023, respectively (Q3 2022 – 1.2%; YTD 2022 – 1.3%).

c. Other income/loss

During Q3 2023 and YTD 2023, the Company recognized other income of \$159 and \$480 (Q3 2022 – \$78; YTD 2022 – \$311), attributable to bank interest income and miscellaneous income.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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

During Q3 2023 and YTD 2023, the Company recognized a total gain on financial assets measured at FVTPL of \$231 and \$0.8 million (Q3 2022 – gain of \$403; YTD 2022 – gain of \$0.7 million).

The Company earned interest income on net mortgage investments measured at FVTPL of \$170 in Q3 2023 and \$495 in YTD 2023 (Q3 2022 – \$0.7 million; YTD 2022 – \$1.7 million). No loss recorded in 2023 since vendor-take-back mortgage exchange in November 2022 (Q3 2022 – \$369; YTD 2022 – \$1.7 million).

On investments measured at FVTPL, during Q3 2023 and YTD 2023, the Company received total cash distribution of nil and \$1.0 million, respectively (Q3 2022 – \$92; YTD 2022 – \$0.6 million), out of which nil and \$0.7 million were a return of capital on the investment (Q3 2022 – \$23; YTD 2022 – \$173), nil and \$274 were a distribution of income (Q3 2022 – \$69; YTD 2022 – \$407). During Q3 2023 and YTD 2023, the Company recognized an unrealized fair value gain of \$62 and \$325 (Q3 2022 – gain \$31; YTD 2022 – gain of \$122).

Net rental (loss) income from real estate properties

The net rental loss from real estate inventory for Q3 2023 and YTD 2023 was \$270 and \$0.9 million, respectively (Q3 2022 – loss of \$291; YTD 2022 – income of \$127). This was partially offset by the net rental income generated from real estate properties inventory of \$230 for Q3 2023 and YTD 2023 (Q3 2022 and YTD 2022 – nil).

Rental loss incurred in 2023 is related to land inventory operations which were acquired in Q2 2022. Offsetting this was the income earned from real estate properties inventory which was acquired on August 31, 2023.

Rental income for comparable 2022 period was related to land inventory operations and investment properties – Saskatchewan portfolio. Investment properties - Saskatchewan portfolio was disposed on April 28, 2022.

Fair value loss on real estate properties

In the YTD 2023, the Company received \$63 in final distribution of working capital settlement from investment properties – Saskatchewan portfolio. For Q2 2022 comparative period, the Company recognized \$283 fair value loss on disposition of investment properties – Saskatchewan portfolio. Additionally, in Q2 2022, the Company recognized \$95 fair value loss upon acquisition when obtaining land inventory.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

Expenses**Management, Servicing and Arrangement Fees**

The management agreement has a term of 10 years that commenced on April 1, 2020 and is automatically renewed for successive five year terms at the expiration of the initial term and pays (i) management fee equal to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes, and (ii) servicing fee equal to 0.10% of the amount of any senior tranche of a mortgage that is syndicated by the Manager to a third party investor on behalf of the Company, where the Company retains the corresponding subordinated portion. Gross assets are defined as the total assets of the Company less unearned revenue before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities.

As compensation for the Manager's work on syndicating any mortgage investments, the Management Agreement permits the Manager to collect a portion of the lender fee paid by borrowers of mortgage investments. The Management Agreement provides that, in respect of each mortgage investment made on or after April 1, 2020 involving syndication to another party of a senior tranche with the Company retaining a subordinated component, the Manager shall be entitled to retain, from any lender fee generated in respect of such loan, an amount equal to 0.20% of the whole loan amount ("Arrangement Fee") if such syndication occurs within 90 days of closing of the mortgage. The Arrangement Fee will not apply to any renewal of existing mortgage investments which already include syndicated senior and subordinated components. The Manager may make an annual election, subject to approval of the independent Directors of the Board, to receive the Arrangement Fee in common shares of the Company instead of cash.

For Q3 2023 and YTD 2023, the Company incurred management fees of \$2.8 million and \$9.0 million (Q3 2022 – \$3.0 million; YTD 2022 – \$9.2 million). The average gross assets were \$1,222.6 million and \$1,253.4 million (Q3 2022 – \$1,388.7 million and YTD 2022 – \$1,368.2 million). For Q3 2023 and YTD 2023, the Company incurred \$181 and \$0.6 million, respectively (Q3 2022 – \$208 and YTD 2022 – \$0.6 million) in servicing fees. The year over year decrease in servicing fees is related to the decrease in the average syndications balance during the period. For Q3 2023 and YTD 2023, Arrangement Fees of \$315 and \$483, respectively, paid by borrower were retained by the Manager (Q3 2022 – \$130 and YTD 2022 – \$0.6 million). The increase over prior year quarter is due to increased loan syndication activity in the quarter, while overall loan syndication activity in the year was lower relative to 2022.

Loan loss provisions

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on mortgage and other investments classified at amortized cost. The allowance for credit losses amounted to \$10.6 million as at September 30, 2023 (December 31, 2022 – \$11.4 million), of which \$10.2 million (December 31, 2022 – \$10.6 million) was recorded against mortgage investments and \$414 (December 31, 2022 – \$0.7 million) was recorded against other investments. In the quarter, \$2.6 million of loss provision was .

General and administrative

For Q3 2023 and YTD 2023, the Company incurred general and administrative expenses of \$400 and \$2.3 million, respectively (Q3 2022 – \$0.6 million; YTD 2022 – \$1.5 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees, legal fees, non-reimbursable legal fees, other operating costs, administration of the mortgage and other investments portfolio, DSU expense including mark-to-market adjustments and foreign exchange net gains.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

After adjusting for foreign currency net realized and unrealized losses of \$10 and gains of \$15 for Q3 2023 and YTD 2023, and non-cash mark to market loss on DSUs of \$86 and \$59, for Q3 2023 and YTD 2023 respectively, general and administrative expenses would have been \$0.5 million and \$2.3 million for Q3 2023 and YTD 2023 (\$0.7 million and \$2.0 million for Q3 2022 and YTD 2022). The adjusted increase compared to prior quarter relates to the timing of recognition of expenses in 2023 and while an increase the year was mainly due to non-reimbursable legal costs associated with Stage 3 loans in Quebec, and inflation impact on professional costs.

Financing Costs

Financing cost on credit facility

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q3 2023 and YTD 2023, included in financing costs is interest on the credit facility of \$7.3 million and \$22.0 million (Q3 2022 – \$6.5 million; YTD 2022 – \$14.1 million), respectively. Additionally, financing costs amortization of \$128 and \$0.6 million (Q3 2022 – \$253; YTD 2022 – \$0.7 million) were included in financing costs. The average credit utilization in YTD 2023 was \$401.7 million compared to \$514.7 million for YTD 2022. Interest expense on the credit facility increased over the periods largely due to higher interest rates, partially offset by a lower utilization of the facility.

For 2022 comparative period, the company incurred interest on the credit facility relating to investment properties disposed on April 2022. Q3 2022 and YTD 2022 financing costs were nil and \$270, respectively.

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 September 30, 2023. 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		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Interest on the convertible debentures	\$ 1,894	\$ 1,893	\$ 5,680	\$ 5,669
Amortization of issue costs and accretion of the convertible debentures	356	363	1,069	1,093
Total financing cost on convertible debentures	\$ 2,250	\$ 2,256	\$ 6,749	\$ 6,762

Earnings per share

PER SHARE INFORMATION	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.52	\$ 0.52
Earnings per share (basic)	\$ 0.20	\$ 0.16	\$ 0.62	\$ 0.49
Earnings per share (diluted)	\$ 0.19	\$ 0.16	\$ 0.60	\$ 0.49
Adjusted earnings per share (basic) ¹	\$ 0.20	\$ 0.17	\$ 0.61	\$ 0.51
Adjusted earnings per share (diluted) ¹	\$ 0.19	\$ 0.17	\$ 0.60	\$ 0.51
Distributable income per share ¹	\$ 0.20	\$ 0.20	\$ 0.63	\$ 0.57
Adjusted distributable income per share ¹	\$ 0.20	\$ 0.20	\$ 0.63	\$ 0.57

1. Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

In accordance with IFRS Accounting Standards, convertible debentures are considered for potential dilution in the calculation of the diluted earnings per share. Each series of convertible debentures is considered individually and only those with dilutive effect on earnings are included in the diluted earnings per share calculation. Convertible debentures that are considered dilutive are required by IFRS Accounting Standards to be included in the diluted earnings per share calculation notwithstanding that the conversion price of such convertible debentures may exceed the market price and book value of the Company's common shares.

Diluted earnings per share are calculated by adding back the interest expense relating to the dilutive convertible debentures to total net income and comprehensive income and increasing the weighted average number of common shares by treating the dilutive convertible debentures as if they had been converted on the later of the beginning of the reporting period or issuance date.

STATEMENTS OF FINANCIAL POSITION
Net Mortgage Investments

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

Net Mortgage Investments	September 30, 2023		December 31, 2022	
Mortgage investments, excluding mortgage syndications	\$	1,071,397	\$	1,189,215
Mortgage syndications		576,373		611,291
Mortgage investments, including mortgage syndications		1,647,770		1,800,506
Mortgage syndication liabilities		(576,373)		(611,291)
		1,071,397		1,189,215
Interest receivable		(17,907)		(10,812)
Unamortized lender fees		4,882		6,801
Allowance for mortgage investments loss		10,234		10,605
Net mortgage investments	\$	1,068,606	\$	1,195,809

Net mortgage investments statistics and ratios¹	Three months ended		Nine months ended		Year ended
	September 30,		September 30,		December 31,
	2023	2022	2023	2022	2022
Total number of mortgage investments	105	120	105	120	113
Average net mortgage investment	\$ 10,473	\$ 10,290	\$ 10,473	\$ 10,290	\$ 10,862
Average net mortgage investment portfolio	\$ 1,099,652	\$ 1,239,969	\$ 1,141,577	\$ 1,201,003	\$ 1,187,365
Weighted average interest rate for the period	9.9 %	8.5 %	9.8 %	7.4 %	8.1 %
Weighted average lender fees for the period	0.7 %	0.7 %	0.7 %	1.0 %	1.1 %
Turnover ratio	6.0 %	3.3 %	26.2 %	21.8 %	39.8 %
Average remaining term to maturity (years)	0.7	0.9	0.7	0.9	0.9
Net mortgage investments secured by cash-flowing properties	86.5 %	89.3 %	86.5 %	89.3 %	87.4 %
WALTV	67.0 %	69.4 %	67.0 %	69.4 %	68.3 %

1. Refer to non-IFRS measures section.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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	September 30, 2023		December 31, 2022	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
Interest in first mortgages	94	\$ 985,488	102	\$ 1,105,431
Interest in second and third mortgages ¹	11	83,118	11	90,378
	105	\$ 1,068,606	113	\$ 1,195,809

¹Included in the Company's interest in second and third mortgages as at September 30, 2023 was \$12.5 million of the net mortgage investments in which the Company holds a subordinated position (December 31, 2022 – \$12.5 million). The Company's syndicated partners who hold a senior position as at September 30, 2023 was \$16.4 million (December 31, 2022 – \$14.2 million).

b. Region	September 30, 2023		December 31, 2022	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
Quebec	34	\$ 388,250	36	\$ 449,571
Ontario	31	288,358	33	295,664
British Columbia	20	246,473	25	298,778
Alberta	10	107,540	9	99,936
Other (Saskatchewan, Nova Scotia, Manitoba and New Brunswick)	10	37,985	10	51,860
	105	\$ 1,068,606	113	\$ 1,195,809

c. Maturity	September 30, 2023		December 31, 2022	
	Number	Net Mortgage Investments	Number	Net Mortgage Investments
2023	36	\$ 376,528	65	\$ 676,561
2024	43	459,740	41	398,124
2025	19	150,223	5	45,284
2026	6	81,981	2	75,840
2027	1	134	—	—
	105	\$ 1,068,606	113	\$ 1,195,809

d. Asset Type / WALTV at origination ³	September 30, 2023			December 31, 2022		
	Number	Net Mortgage Investments	WALTV at origination ³	Number	Net Mortgage Investments	WALTV at origination ³
Multi-Residential ¹	67	\$ 621,903	70.6%	68	\$ 627,892	70.4%
Retail	11	151,452	70.5%	12	151,806	70.4%
Unimproved Land ²	7	83,491	50.7%	5	56,097	58.7%
Office	6	76,421	58.7%	6	83,556	62.5%
Retirement	1	14,299	71.3%	2	78,649	80.8%
Industrial	9	64,320	54.0%	16	109,424	60.1%
Single-Residential	3	51,220	55.2%	3	82,885	54.0%
	104	1,063,106	66.5%	112	1,190,309	67.9%
Net mortgage investments measured at FVTPL	1	5,500	n/a	1	5,500	n/a
	105	\$ 1,068,606		113	\$ 1,195,809	

¹ Includes 4 construction loans (December 31, 2022 – 6) totaling \$18.4 million (December 31, 2022 – \$27.2 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 do not contemplate construction during the loan period.

³ WALTV measured at time of origination.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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 \$576.4 million (December 31, 2022 – \$611.3 million). In general, mortgage syndication liabilities vary from quarter to quarter and are dependent on the type of investments seen at any particular time and are not necessarily indicative of a future trend.

Allowance for Credit Losses ("ACL")

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on our mortgage and other investments. The allowance for credit losses amounted to \$10.6 million as at September 30, 2023 (December 31, 2022 – \$11.4 million), of which \$10.2 million (December 31, 2022 – \$10.6 million) was recorded against mortgage investments and \$0.4 million (December 31, 2022 – \$0.7 million) was recorded against other investments.

	As at September 30, 2023				As at December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments								
Mortgages, including mortgage syndications ¹	\$ 765,942	\$ 57,504	\$ 247,579	\$1,071,025	\$1,020,893	\$ —	\$ 132,767	\$1,153,660
Mortgage syndication liabilities ¹	292,899	40,280	90,387	423,566	382,077	—	60,361	442,438
Net mortgage investments	473,043	17,224	157,192	647,459	638,816	—	72,406	711,222
Allowance for credit losses ²	665	203	1,678	2,546	1,424	—	1,409	2,833
	472,378	17,021	155,514	644,913	637,392	—	70,997	708,389
Other Mortgage Investments								
Mortgages, including mortgage syndications ¹	507,357	53,608	26,987	587,952	628,128	—	32,227	660,355
Mortgage syndication liabilities ¹	154,455	—	—	154,455	170,508	—	—	170,508
Net mortgage investments	352,902	53,608	26,987	433,497	457,620	—	32,227	489,847
Allowance for credit losses ²	355	116	7,217	7,688	414	—	7,358	7,772
	352,547	53,492	19,770	425,809	457,206	—	24,869	482,075
Other loan Investments								
Mortgages, including mortgage syndications ¹	47,459	—	—	47,459	60,742	—	—	60,742
Mortgage syndication liabilities ¹	—	—	—	—	—	—	—	—
Net mortgage investments	47,459	—	—	47,459	60,742	—	—	60,742
Allowance for credit losses ²	414	—	—	414	745	—	—	745
	\$ 47,045	\$ —	\$ —	\$ 47,045	\$ 59,997	\$ —	\$ —	\$ 59,997

¹Including interest receivable.

²Allowance for credit losses in finance lease receivable and unadvanced commitments are all considered to be with minimal ACL.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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:

	Nine Months Ended September 30, 2023				Nine Months Ended September 30, 2022			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	\$ 1,424	\$ —	\$ 1,409	\$ 2,833	\$ 882	\$ —	\$ —	\$ 882
Allowance for credit losses:								
Remeasurement	66	162	1,987	2,215	37	—	—	37
Transfer to/(from)								
Stage 1	(893)	—	—	(893)	—	—	—	—
Stage 2	—	41	—	41	—	—	—	—
Stage 3	—	—	852	852	—	—	—	—
Total allowance for credit losses	597	203	4,248	5,048	919	—	—	919
Fundings	163	—	—	163	685	—	—	685
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(95)	—	—	(95)	(213)	—	—	(213)
Derecognition against inventory	—	—	(2,570)	(2,570)	—	—	—	—
Balance at end of period	\$ 665	\$ 203	\$ 1,678	\$ 2,546	\$ 1,391	\$ —	\$ —	\$ 1,391
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	\$ 414	\$ —	\$ 7,358	\$ 7,772	283	52	1,753	2,088
Allowance for credit losses:								
Remeasurement	35	47	(141)	(59)	40	(5)	4,269	4,304
Transfer to/(from)								
Stage 1	(69)	—	—	(69)	—	—	—	—
Stage 2	—	69	—	69	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	380	116	7,217	7,713	323	47	6,022	6,392
Fundings	25	—	—	25	63	—	—	63
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(50)	—	—	(50)	(41)	—	—	(41)
Balance at end of period	\$ 355	\$ 116	\$ 7,217	\$ 7,688	\$ 345	\$ 47	\$ 6,022	\$ 6,414
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	\$ 745	\$ —	\$ —	\$ 745	898	—	—	898
Allowance for credit losses:								
Remeasurement	(287)	—	—	(287)	(101)	—	—	(101)
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	458	—	—	458	797	—	—	797
Fundings	—	—	—	—	12	—	—	12
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(44)	—	—	(44)	(64)	—	—	(64)
Balance at end of period	\$ 414	\$ —	\$ —	\$ 414	\$ 745	\$ —	\$ —	\$ 745

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

Stage 2 Net Mortgage Investments are comprised of the following:

- \$16.5 million net mortgage income producing multi-family loan.
Status: The loan matured in Q2 but is going to be extended for an additional 12-month period to enable the borrower to either sell the property or seek CMHC financing. The Company continues to expect full principal repayment on the loan.
- \$53.6 million net mortgage investments relating to three income producing office assets and one retail asset across three loans with the same sponsor in Calgary.
Status: The borrower failed to pay interest as of September and we are currently working through our legal remedies to protect our interests. We are also in active discussions with the borrower about a potential forbearance agreement and we will likely determine next steps in the coming weeks. While the Calgary office market has been challenging for many years, some positive absorption, planned office conversions to multi-family and the high price of oil are all contributing to some optimism for the market. In addition, the loans are structured with material pay down guarantees from non-related future asset sales that will reduce the loan basis by approximately 20% or \$10 million. In short, there is more news to come with these assets, but with the structured pay downs and active management, we expect to work through this situation to realize full repayment.

Stage 3 Net Mortgage Investments are comprised of the following:

- \$11.1 million net mortgage investment in a multi-family loan currently part of a CCAA process.
Status: In Q3 the asset remains in Stage 3, however, in Q4 2023, a purchaser of the underlying asset was selected through a bid process run by the receiver. The new purchaser will join the existing joint-venture owner to complete the construction of the multi-family asset. The Company expects the loan to be performing in Q4 2023, including the Company being made current on its interest arrears. The Company ultimately expects full repayment of the loan.
- \$146.1 million net mortgage investments relating to seven income producing multi-family loans with the same sponsor. These loans were advanced to Stage 2 in Q2 2023 at which point the Company along with other lenders on the properties put the properties into receivership. During Q3 the receiver has received an offer for purchase of all the assets, the Company expects the transaction to close in Q4 2023. As part of the transaction, the new purchaser will be partially paying for the acquisition with cash, equating to a partial pay down on the outstanding debt, along with the assumption of current debt in-place for a bridge period until the purchaser closes on its take-out financing, targeted late Q4 2023, or early Q1 2024.
- \$15.6 million net mortgage investment condo inventory exposure.
Status: \$2.3 million of inventory was sold in Q3 with more units set to close in Q4 2023. The Company is satisfied with the sales process and the proceeds received and expects the remainder of the loan to be repaid by the end of 2024. The original inventory balance was \$23.7 million.
- \$8.8 million net mortgage investment on a medical office building.
Status: The Company engaged a new property manager in Q2 2023 with deep expertise in the market to complete the leasing strategy. The investment team is confident that the intended repositioning plan of the asset will generate the best outcome for the property and the ultimate repayment of principal. At the same time, the Company is currently selecting a broker to potentially list the asset for sale in Q1 2024.
- In the quarter, the Company, along with its syndication partners, successfully credit bid an asset, which was collateral for mortgage investment with a net carrying value (inclusive of the ACL at that time) of \$63.8 million previously in Stage 3. The asset is now being held as Real Estate Inventory at 100% with a corresponding Real Estate Collateral liability of \$69.0 million representing the Company's obligation to remit 50% of the ultimate sales proceeds of the asset. As part of the acquisition of the asset, the Company transferred \$2.6 million of the ACL associated with the mortgage investment. The Company anticipates full recovery on the loan upon sale.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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

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

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

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

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

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

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

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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

	As at September 30, 2023				As at December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments								
Low risk	\$ 173,793	\$ —	\$ —	\$ 173,793	\$ 117,051	\$ —	\$ —	\$ 117,051
Medium-Low risk	234,170	—	—	234,170	324,592	—	—	324,592
Medium-High risk	58,675	17,224	—	75,899	194,748	—	—	194,748
High risk	6,405	—	—	6,405	2,425	—	—	2,425
Default	—	—	157,192	157,192	—	—	72,406	72,406
Net	473,043	17,224	157,192	647,459	638,816	—	72,406	711,222
Allowance for credit losses	665	203	1,678	2,546	1,424	—	1,409	2,833
Mortgage investments¹	472,378	17,021	155,514	644,913	637,392	—	70,997	708,389
Other Mortgage Investments								
Low risk	36,547	—	—	36,547	107,417	—	—	107,417
Medium-Low risk	204,589	—	—	204,589	233,874	—	—	233,874
Medium-High risk	80,636	53,608	—	134,244	116,329	—	—	116,329
High risk	31,130	—	—	31,130	—	—	—	—
Default	—	—	26,987	26,987	—	—	32,227	32,227
Net	352,902	53,608	26,987	433,497	457,620	—	32,227	489,847
Allowance for credit losses	355	116	7,217	7,688	414	—	7,358	7,772
Mortgage investments¹	352,547	53,492	19,770	425,809	457,206	—	24,869	482,075
Other loan Investments								
Low risk	—	—	—	—	—	—	—	—
Medium-Low risk	—	—	—	—	—	—	—	—
Medium-High risk	—	—	—	—	—	—	—	—
High risk	47,459	—	—	47,459	60,742	—	—	60,742
Default	—	—	—	—	—	—	—	—
Net	47,459	—	—	47,459	60,742	—	—	60,742
Allowance for credit losses	414	—	—	414	745	—	—	745
Other loan Investments¹	\$ 47,045	\$ —	\$ —	\$ 47,045	\$ 59,997	\$ —	\$ —	\$ 59,997

¹ Net of allowance and mortgage syndications.

Enhanced return portfolio

As at	September 30, 2023	December 31, 2022
Other loan investments, net of allowance for credit loss	\$ 46,951	\$ 59,956
Finance lease receivable, measured at amortized cost	6,020	6,020
Investment, measured at FVTPL	4,087	4,744
Joint venture investment in indirect real estate development	2,225	2,225
Total Enhanced Return Portfolio	\$ 59,283	\$ 72,945

As at September 30, 2023, the Company held \$47.0 million in other loan investments, net of allowance for credit loss (December 31, 2022 – \$60.0 million).

In October 2017, the Company entered into a 20-year emphyteutic lease under which the lessee has the obligation to purchase the property at \$9.9 million at the end of the lease term on September 2038 and the option to purchase the property earlier based on a prescribed purchase price schedule. Refer to note 4(e) of the Interim Condensed Consolidated Financial Statements for the three months and nine months ended September 30, 2023, and 2022.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

As at September 30, 2023, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling \$4.1 million or €2.9 million (December 31, 2022 – \$4.7 million or €3.3 million). During Q3 2023 and YTD 2023, investment measured at FVTPL received total cash distribution of nil and \$1.0 million (Q3 2022 – \$92; YTD 2022 – \$0.6 million), out of which return of capital distribution was nil and \$0.7 million (Q3 2022 – \$23; YTD 2022 – \$173).

As at September 30, 2023, the Company held \$2.2 million (December 31, 2022 – \$2.2 million) in indirect real estate developments through joint venture and associate, using the equity method.

Real estate inventory

Land inventory

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

As at September 30, 2023, the Company has land inventory of \$30.5 million (December 31, 2022 – \$30.2 million), which is recorded at the lower of cost and net realizable value.

Real estate properties inventory

On August 31, 2023, the Company, along with its syndication partners, elected to credit bid three properties which were subject to CCAA proceedings. The properties were previously the collateral for a mortgage investment at amortized cost. Effective August 31, 2023, the Company obtained the beneficial interest in the three properties in exchange for the discharge of the associated mortgage investments, on a non-cash basis. The Company intends to sell the properties, it has accordingly recorded them as inventory at the lower of cost and net realizable value less costs to sell. At the time of the exchange, the mortgage investment, net of syndication liability, had a carrying value of \$63.9 million comprised of net mortgage investment of \$64.4 million, net interest receivable of \$2.1 million and an ACL provision of \$2.6 million. The Company recognized the three properties as real estate inventory and accordingly recorded them along with associated working capital of \$1.9 million at a cost of \$132.9 million inclusive of the syndication partner's 50% share and recognized a corresponding real estate inventory collateral liability of \$69.0 million to the remaining participants in the discharged mortgage investment.

As at September 30, 2023, the Company has real estate properties inventory of \$131.0 million (December 31, 2022 – nil), which is recorded as the lower or cost and net realizable value.

Net working capital

Net working capital increased by \$60.8 million to \$69.6 million at September 30, 2023 from \$8.9 million at December 31, 2022.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

Credit facility

As of September 30, 2023, the Company has an aggregate credit limit of \$600.0 million and an accordion option of \$35.0 million on its credit facility. The facility is secured by a general security agreement over the Company's assets and its subsidiaries. The current credit facility agreement matures in February 2024.

The rates of interest and fees of the Ninth Amending Credit Agreement are either at the prime rate of interest plus 1.00% per annum (December 31, 2022 – prime rate of interest plus 1.00% per annum) or bankers' acceptances with a stamping fee of 2.00% (December 31, 2022 – 2.00%) and standby fee of 0.40% per annum (December 31, 2022 – 0.40%) on the unutilized credit facility balance. As at September 30, 2023, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the Ninth Amending Credit Agreement is \$431.6 million.

During Q3 2023 and YTD 2023, the Company incurred financing costs of \$98 and \$134 (Q3 2022 – \$54; YTD 2022 – \$0.8 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.

As at September 30, 2023 the Company was in default on one of its financial covenants associated with the Ninth Amending Credit Agreement. Subsequent to period end, effective on October 6, 2023, the Company amended the Credit Agreement subject to the Tenth Amending Credit Agreement and was no longer in default. As part of the amendment, the Company does not have access to its \$35.0 million accordion option until certain conditions are waived.

Convertible debentures

As at September 30, 2023, and December 31, 2022, the Company's obligations under the convertible unsecured debentures are as follows:

Series	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price per share	Equity Component	September 30, 2023	December 31, 2022
June 2017 Debentures	5.30 %	June 30, 2024	June 30 and December 31	\$ 11.10	\$ 560	\$ 45,000	\$ 45,000
July 2021 Debentures	5.25 %	July 31, 2028	January 31 and July 31	11.40	1,107	55,000	55,000
December 2021 Debentures	5.00 %	December 31, 2028	June 30 and December 31	11.40	1,405	46,000	46,000
Unsecured Debentures, principal						146,000	146,000
Unamortized financing cost and amount allocated to equity component						(5,511)	(6,580)
Debentures, end of period						\$ 140,489	\$ 139,420

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:

	Nine months ended September 30,	
	2023	2022
Interest on the convertible debentures	\$ 5,680	\$ 5,669
Amortization of issue costs and accretion of the convertible debentures	1,069	1,093
Total	\$ 6,749	\$ 6,762

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

June 2017 Debentures

On June 13, 2017, the Company completed a public offering of \$40.0 million, plus an over-allotment option of \$5.0 million on June 27, 2017, of 5.30% convertible unsecured subordinated debentures for net proceeds of \$42.3 million (the "June 2017 Debentures").

The June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

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

July 2021 Debentures

On July 8, 2021 the Company completed a public offering of \$50.0 million, plus an over-allotment option of \$5.0 million on July 15, 2021, of 5.25% convertible unsecured subordinated debentures for net proceeds of \$52.1 million (the "July 2021 Debentures"). The July 2021 Debentures are redeemable on or after July 31, 2024 and prior to July 31, 2026 in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after July 31, 2026 and prior to the maturity date, the July 2021 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

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

December 2021 Debentures

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

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

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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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. The base shelf prospectus expired on July 10, 2023.

(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 ATM Program was active between June 2021 and August 2022 and expired on July 10, 2023.

During Q3 2023, the Company did not issue any common shares under the ATM program. During Q3 2022, the Company issued 100 common shares for gross proceeds of \$1 at an average price of \$8.65 per common share and paid nil in commissions to the agent, pursuant to the equity distribution agreement.

During YTD 2023, the Company did not issue any common shares under the ATM program. During YTD 2022, the Company issued 1,504,300 common shares for gross proceeds of \$14.3 million at an average price of \$9.52 per common share and paid \$246 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 Q3 2023 and YTD 2023, the Company purchased from the open market 200,079 and 572,551 common shares (Q3 2022 – 168,559; YTD 2022 – 168,559) for total amount of \$1.5 million and \$4.4 million (Q3 2022 – \$1.4 million; YTD 2022 – \$1.4 million) at an average price of \$7.42 and 7.73 (Q3 2022 – \$8.32; YTD 2022 – \$8.32) per common share.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

During Q3 2023 and YTD 2023, the company did not issue common shares from treasury. During Q3 2022 and YTD 2022, the Company issued from treasury nil and 281,114 common shares and retained nil and \$2.6 million in dividends.

(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 Q3 2023 and YTD 2023, the Company declared dividends of \$14.4 million or \$0.1725 per share and \$43.3 million or \$0.5175 per share (Q3 2022 – \$14.5 million or \$0.1725 per share and YTD 2022 – \$43.2 million or \$0.5175 per share).

As at September 30, 2023, \$4.8 million in aggregate dividends (December 31, 2022 – \$4.8 million) were payable to the holders of common shares by the Company. Subsequent to September 30, 2023, the Board of Directors of the Company declared dividends of \$0.0575 per share to be paid on October 13, 2023 to the common shareholders of record on September 30, 2023.

(d) Normal course offering bid

On May 24, 2022, the Company announced that the TSX approved the Company's normal course issuer bid (the "NCIB") to repurchase for cancellation up to 8,330,591 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on May 26, 2022 and expired on May 25, 2023.

On May 24, 2023, the Company announced that the TSX approved the Company's renewal of the NCIB to repurchase for cancellation up to 8,305,467 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on May 26, 2023 and continue until May 25, 2024 upon expiry.

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

During Q3 2023 and YTD 2023, the Company repurchased 108,300 and 545,400 common shares (Q3 2022 and YTD 2022 - 10,000) for a total amount of \$0.8 million and \$4.1 million (Q3 2022 and YTD 2022 - \$75). The average price per common share repurchased was \$7.40 and \$7.43 (Q3 2022 and YTD 2022 - \$7.59).

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.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

During Q3 2023 and YTD 2023, 8,650 and 28,749 units were issued (Q3 2022 and YTD 2022 – 9,550 and 28,252 units) and as at September 30, 2023, 127,786 units were outstanding (December 31, 2022 – 99,037 units). During Q3 2023 and YTD 2023, nil and nil DSUs were exercised (Q3 2022 and YTD 2022 – 48,353 and 82,807 units).

DSU expense for Q3 2023 and YTD 2023 was \$100 and \$295 (Q3 2022 and YTD 2022 – \$70 and \$275). The units related to Q3 Director's compensation will be issued subsequent to September 30, 2023.

STATEMENT OF CASH FLOWS**Cash from operating activities**

Cash from operating activities for Q3 2023 and YTD 2023 was \$17.5 million and \$65.2 million (Q3 2022 – \$19.3 million; YTD 2022 – \$53.0 million).

Cash from (used in) financing activities

Cash from financing activities for Q3 2023 consisted of the Company's net draws on the operating credit facility of \$44.2 million (Q3 2022 – \$23.0 million net draws), Cash used in financing activities YTD 2023 consisted of the Company's net repayments of \$45.9 million (YTD 2022 – \$95.0 million net draws). The Company paid interest on the debentures and credit facilities of \$6.4 million and \$24.9 million (Q3 2022 – \$8.7 million; YTD 2022 – \$21.7 million), and paid common share dividends of \$12.9 million and \$38.9 million (Q3 2022 – \$13.1 million; YTD 2022 – \$39.2 million). During Q3 2023 and YTD 2023, the Company repurchased shares on the open market under the NCIB and DRIP programs of \$2.7 million and \$8.5 million (Q3 2022 – \$1.5 million; YTD 2022 – \$1.5 million).

The net cash received from financing activities for Q3 2023 was \$22.2 million and net cash used in financing activities in YTD 2023 was \$118.2 million (net cash used Q3 2022 – \$270 and net cash received YTD 2022 – \$46.9 million).

Cash (used in) from investing activities

Cash used in investing activities for Q3 2023 and YTD 2023 consisted of the Company's funding of net mortgage investments \$81.7 million and \$270.6 million (Q3 2022 – \$105.4 million; YTD 2022 – \$602.0 million). The Company received cash from discharge of net mortgage investments of \$75.1 million and \$339.6 million (Q3 2022 – \$86.9 million; YTD 2022 – \$487.3 million). The Company funded other investments of nil and \$0.8 million (Q3 2022 – \$1.8 million; YTD 2022 – \$8.2 million). The Company received cash from repayments of other investments \$30 and \$14.6 million (Q3 2022 – \$29; YTD 2022 – \$10.6 million). For Q3 2023 and YTD 2023, the Company received cash of nil and \$1.0 million relating to distribution from financial assets measured at FVTPL (Q3 2022 – nil; YTD 2022 – nil). The Company received cash on maturity of currency forward hedging contracts of \$20 and paid \$0.5 million (Q3 2022 – \$359 and YTD 2022 – \$359). The net cash used in investing activities for Q3 2023 was \$6.6 million and net cash received from investing activities YTD 2023 was \$83.3 million (Q3 2022 – received \$20.0 million; YTD 2022 – used \$104.4 million).

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net Investment Income on financial assets measured at amortized cost	\$30,303	\$31,471	\$32,709	\$31,342	\$29,982	\$25,802	\$22,677	\$22,378
Fair value gain (loss) and other income on financial assets measured at FVTPL	231	306	282	736	403	352	(103)	(7,404)
Fair value gain / (loss) on real estate properties	—	—	63	82	—	(378)	—	(4,374)
Net rental (loss) income	(270)	(293)	(359)	(278)	(291)	36	382	389
Expenses	(4,115)	(5,139)	(4,443)	(6,671)	(7,530)	(4,150)	(4,241)	(3,761)
Income from operations	26,149	26,345	28,252	25,211	22,564	21,662	18,715	7,228
Financing costs:								
Financing cost on credit facilities	(7,444)	(7,208)	(7,898)	(8,137)	(6,788)	(4,749)	(3,560)	(4,045)
Financing cost on debentures	(2,250)	(2,249)	(2,250)	(2,260)	(2,256)	(2,233)	(2,273)	(1,767)
Fair value gain on derivative contract	—	—	—	—	—	—	—	994
Net income and comprehensive income	16,455	\$16,888	\$18,104	\$14,814	\$13,520	\$14,680	\$12,882	\$ 2,410
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME								
Net income and comprehensive income	\$16,455	\$16,888	\$18,104	\$14,814	\$13,520	\$14,680	\$12,882	\$ 2,410
Less: fair value gain on derivative contract	—	—	—	—	—	—	—	(994)
Add: net unrealized loss (gain) on financial assets measured at FVTPL	(61)	68	(57)	(122)	369	377	946	8,237
Add: net unrealized loss on real estate properties	—	—	—	—	—	95	—	4,374
Adjusted net income and comprehensive income¹	\$16,394	\$16,956	\$18,047	\$14,692	\$13,889	\$15,152	\$13,828	\$14,027
PER SHARE INFORMATION								
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Earnings per share (basic)	\$ 0.20	\$ 0.20	\$ 0.22	\$ 0.18	\$ 0.16	\$ 0.17	\$ 0.16	\$ 0.03
Earnings per share (diluted)	\$ 0.19	\$ 0.20	\$ 0.21	\$ 0.18	\$ 0.16	\$ 0.17	\$ 0.16	\$ 0.03
Adjusted earnings per share (basic) ¹	\$ 0.20	\$ 0.20	\$ 0.21	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.17	\$ 0.17
Adjusted earnings per share (diluted) ¹	\$ 0.19	\$ 0.20	\$ 0.21	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.17	\$ 0.17
Distributable income per share ¹	\$ 0.20	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.20	\$ 0.19	\$ 0.18	\$ 0.20
Adjusted distributable income per share ¹	\$ 0.20	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.20	\$ 0.19	\$ 0.18	\$ 0.20

¹ Refer to non-IFRS measures section.

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

- i. In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments. As a result, net interest income is susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances, to determine its distributable income on a calendar year basis;
- ii. In any given quarter, the Company is subject to volatility from fair value adjustments to financial assets measured at FVTPL and allowance for mortgage investments resulting in fluctuations in quarterly total net income and comprehensive income; and
- iii. The utilization of the credit facility to fund mortgage investments results in higher net interest income, which is partially offset by higher financing costs.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere, related party transactions include the following:

As at September 30, 2023, Due to Manager consists of management and servicing fees payable of \$1.1 million (December 31, 2022 – \$1.1 million).

During Q3 2023 and YTD 2023, Arrangement Fees of \$315 and \$483 paid by borrower were retained by the Manager (Q3 2022 – \$130 and YTD 2022 – \$0.6 million).

As at September 30, 2023, included in other assets is \$1.8 million (December 31, 2022 – \$6.1 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 September 30, 2023, the Company has a first mortgage investment which a director of the Manager is also an officer and part-owner of an entity which holds a subordinate loan position.

- A mortgage investment with a total gross commitment of \$48.8 million (December 31, 2022 – \$48.8 million). The Company's share of the commitment is \$4.4 million (December 31, 2022 – \$4.4 million). During Q3 2023 and YTD 2023, the Company has recognized net interest income of \$199 and \$0.6 million (Q3 2022 and YTD 2022 – \$157 and \$338).

As at September 30, 2023, the Company and Timbercreek Real Estate Finance U.S. Holding LP are related parties as they are managed by the Manager, and they have co-invested in 2 other loan investments (December 31, 2022 – 2) totaling \$35.4 million (December 31, 2022 – \$35.5 million). The Company's share in these mortgage investments is \$10.5 million (December 31, 2022 – \$10.5 million).

As at September 30, 2023, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling \$4.1 million or €2.9 million (December 31, 2022 – \$4.7 million or €3.3 million), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.

As at September 30, 2023, the Company and Timbercreek North American Mortgage Fund are related parties as they are managed by the Manager, and they have co-invested in 1 mortgage (December 31, 2022 – 1) totaling \$22.0 million (December 31, 2022 – \$20.0 million). The Company's share in this mortgage investment is \$11.0 million (December 31, 2022 – \$10.0 million).

COMMITMENTS AND CONTINGENCIES

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

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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

On April 28, 2022, the Company disposed of its interest in the investment properties in Saskatchewan Portfolio. The investment properties were pledged as security for the credit facility where the Company remained a guarantor for its \$1.2 million share of the outstanding \$6.0 million principal until September 26, 2023. The Company is no longer a guarantor on the aforementioned credit facility as of September 30, 2023.

CRITICAL ACCOUNTING ESTIMATES

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

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

Global financial markets continued to be volatile during Q3 2023, in part due to instability in the global markets due to banking concerns, economic fallout as well as continued high levels of inflation, globally high interest rates and Russia's military invasion of Ukraine and the related sanctions. There remains uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the consolidated financial statements. Given the current geopolitical landscape and the economic uncertainty, it is difficult to predict with certainty the impact these will have on the Company's estimate of allowance for credit losses both in the short term and in the long term.

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

Measurement of fair values

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

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

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

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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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

- Note 4 – Mortgage and other investments, including mortgage syndications, and
- Note 17 – 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 Company's interim condensed 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.

Net realizable value of real estate inventory

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

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in the unaudited condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2022, which were prepared in accordance with IFRS.

OUTSTANDING SHARE DATA

As at November 1, 2023, the Company's authorized capital consists of an unlimited number of common shares, of which 83,342,116 are issued and outstanding.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures and controls to provide reasonable assurance that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") of Timbercreek Financial, along with the assistance of senior Management of the Manager with their supervision, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

No changes were made in the design of internal controls over financial reporting during the period ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's 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. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance of control issues, including whether instances of fraud, if any, have been detected. These inherent limitations include, among other items:

- i. that Management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances;
- ii. the impact of any undetected errors; and
- iii. that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by Management override.

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.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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 an aggregate borrowing ability of \$600.0 million through its credit facility and it intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at September 30, 2023, the Company's qualified credit facility limit is subject to a borrowing base as defined in the Ninth Amending Credit Agreement, which is \$431.6 million. As at September 30, 2023, the Company did not meet the minimum adjusted shareholders' equity covenant due to increased exposure in non-performing mortgages. On October 6, 2023, the Company renegotiated the terms of the Credit Agreement which included an adjustment to the adjusted shareholders equity test and an associated waiver of such default.

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

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at September 30, 2023, including expected interest payments:

	Carrying value	Contractual cash flow	Within a year	Following year	3 – 5 years	5 + Years
Accounts payable and accrued expenses	\$ 5,482	\$ 5,482	\$ 5,482	\$ —	\$ —	\$ —
Dividends payable	4,762	4,762	4,762	—	—	—
Due to Manager	1,061	1,061	1,061	—	—	—
Mortgage and other loans funding holdbacks	695	695	695	—	—	—
Prepaid mortgage and other loans interest	1,069	1,069	1,069	—	—	—
Credit facility ¹	404,871	417,209	417,209	—	—	—
Real estate inventory collateral liability	69,025	69,025	69,025	—	—	—
Convertible debentures ²	140,489	173,820	51,976	5,188	70,081	46,575
	\$ 627,454	\$ 673,123	\$ 551,279	\$ 5,188	\$ 70,081	\$ 46,575
Unadvanced mortgage commitments ³	—	336,092	336,092	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities ⁴	\$ 627,454	\$ 1,009,215	\$ 887,371	\$ 5,188	\$ 70,081	\$ 46,575

¹ Credit facility includes interest based upon September 2023 interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on February 10, 2024. The Company intends to renew its credit facility prior to maturity.

² The convertible debentures include interest based on coupon rate on the convertible debentures assuming the outstanding balance is not repaid until its contractual maturity on June 30, 2024, July 31, 2028 and December 31, 2028.

³ Unadvanced mortgage commitments include syndication commitments of which \$195.6 million belong to the Company's syndicated partners.

⁴ The principal repayments of \$574.0 million mortgage syndication liabilities by contractual maturity date is shown net with mortgage investments.

As at September 30, 2023, the Company had a cash position of \$33,151 (December 31, 2022 – \$2.8 million) and an unutilized credit facility balance of \$26.5 million (December 31, 2022 – \$103.5 million). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities and the credit facility. The Company has commenced preliminary discussions with the lenders on the renewal of the credit facility.

As at September 30, 2023, unadvanced mortgage commitments under the existing mortgage investments, including mortgage syndications, amounted to \$336.1 million (December 31, 2022 – \$293.4 million) of which \$195.6 million (December 31, 2022 – \$144.6 million) belong to the Company's syndicated partners. The Company expects the syndication partners to fund their respective commitments.

FINANCIAL INSTRUMENTS

Financial assets

The Company's cash and cash equivalents, other assets, mortgage investments and other investments, including mortgage syndications, are designated as loans and receivables and are measured at amortized cost. The fair values of cash and cash equivalents and other assets approximate their carrying amounts due to their short-term nature. The fair value of mortgage investments, including mortgage syndications, approximate their carrying value given the mortgage and other investments consist of short-term mortgages that are repayable at the option of the borrower without yield maintenance or penalties.

Financial liabilities

The Company's accounts payable and accrued expenses, dividends payable, due to Manager, mortgage and other loan funding holdbacks, prepaid mortgage interest, credit facility, real estate inventory collateral liability, convertible debentures, derivative liability (interest rate swap contract) and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of convertible debentures and mortgage syndication liabilities, the fair value of these financial liabilities 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 September 30, 2023, \$1,046.0 million of net mortgage investments and \$5.0 million of other investments bear interest at variable rates (December 31, 2022 – \$1,173.7 million and \$5.0 million, respectively). As of September 30, 2023, \$971.5 million of net mortgage investments have a "floor rate" (December 31, 2022 – \$1,105.7 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 \$5.0 million (December 31, 2022 – 0.50% and \$5.7 million) or an increase in net income of \$5.2 million (December 31, 2022 – 0.50% and \$5.9 million). The Company manages its sensitivity to interest rate fluctuations by managing the fixed/floating ratio and its use of floor rates in its investment portfolio.

The Company is also exposed to interest rate risk on the credit facility. As at September 30, 2023, net exposure to interest rate risk was \$405.1 million (December 31, 2022 – \$451.0 million), and assuming it was outstanding for the entire period, a 0.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income by \$2.0 million (December 31, 2022 – \$2.3 million per 0.50% decrease or increase in interest rates).

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk primarily from other investments that are denominated in a currency other than the Canadian dollar. The Company uses foreign currency forwards and swaps to approximately economically hedge the principal balance of future earnings and cash flows caused by movements in foreign exchange rates. Under the terms of the foreign currency forward and swap contracts, the Company buys or sells a currency against another currency at a set price on a future date.

As at September 30, 2023, the Company has US\$7.5 million and €2.9 million in other investments denominated in foreign currencies (December 31, 2022 – US\$7.1 million and €3.3 million). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at September 30, 2023, the Company has one U.S. dollars currency contract with an aggregate notional value of US\$7.0 million, at a forward contract rate of 1.3222, that matures in January 2024. The Company also has one Euro currency contract with an aggregate notional value of €2.7 million at a contract rate of 1.4578, that matures in December 2023.

The fair value of the foreign currency forward contracts as at September 30, 2023 is a liability of \$159 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 September 30, 2023 relating to net mortgages and other investments amount to \$1,169.6 million (December 31, 2022 – \$1,276.7 million).

The Company has recourse under these mortgages and the majority of other investments in the event of default by the borrowers; in which case, the Company would have a claim against the underlying collateral. Management believes that the potential loss from credit risk with respect to cash that is held in trust at a Schedule I bank by the Company's transfer agent and operating cash held also at a Schedule I bank, to be minimal.

The Company is exposed to credit risk from the collection of accounts receivable from tenants. The Manager routinely obtains credit history reports on prospective tenants before entering into a tenancy agreement.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized. For a discussion of the Company's liquidity, cash flow from operations and mitigation of liquidity risk, see the "Capital Structure and Liquidity" section in this MD&A.

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

416-923-9967

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