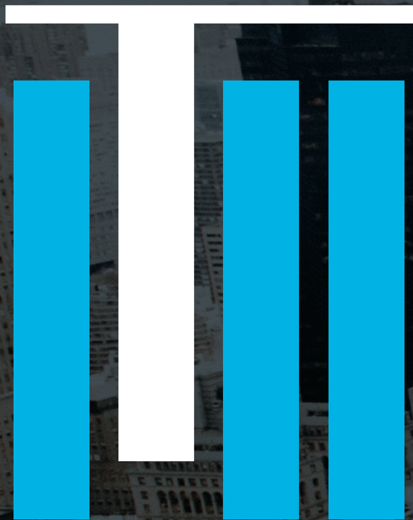
TIMBERCREEK
FINANCIAL

ANNUAL REPORT 2023



ABOUT
TIMBERCREEK FINANCIAL

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

16+ YEAR
TRACK RECORD

100%
COMMERCIAL REAL ESTATE FOCUSED

$950MM
INSTITUTIONAL-QUALITY PORTFOLIO

$15B
IN ORIGINATIONS SINCE INCEPTION

LETTER TO SHAREHOLDERS

BLAIR TAMBLYN
CHIEF EXECUTIVE OFFICER

I'm pleased to report that we generated strong financial performance in 2023, highlighted by record investment income and healthy year-over-year increases in net income and distributable income.

As with the prior fiscal year, the company benefited from the sustained higher interest rate environment, which acted as a continued tailwind to our top-line income given the high exposure to floating rate loans with rate floors (86% of our portfolio at year end). The portfolio's weighted average interest rate (WAIR) was 9.7% entering the year, and that increased modestly during 2023, exiting the year at 10.0%. This fueled record annual net investment income of $124.2 million, up 13% from 2022, and a 6% increase in distributable income to $70.4 million. Distributable income per share rose from $0.79 per share in 2022 to $0.84 per share in 2023 – also a record for the company – with a low payout ratio of 81.9%. In addition to continuing our regular monthly dividend, this strong income performance enabled us to report a special dividend of 5.75 cents per share earlier this year.

These results were achieved while we navigated a challenging period of the real estate cycle caused by the rapid rise in interest rates and general economic weakness. Consider that the prime rate in Canada reached 7.2% in July 2023, a cumulative increase of 4.75% over 16 months from the first increase in March 2022. Although we benefit from a high WAIR from an income perspective, the interest costs on our debt increase in this environment and some of our borrowers feel the strain of much higher debt service payments. As a result, we have carried a higher balance in our Stage 2 and 3 loans through much of 2023.

10.0%
WEIGHTED AVERAGE INTEREST RATE EXITING 2023 (9.7% EXITING 2022)

$124.2MM
NET INVESTMENT INCOME (+13% FROM 2022)

$70.4MM
DISTRIBUTABLE INCOME

86.0%

INCOME-PRODUCING PROPERTIES

While there is work to be done, our team has made great progress over the past several quarters, with full repayment on the largest of these loans already in 2024. As we have highlighted in the past, active management is an occasional reality of our business and a requisite skillset. Over the past 15 plus years, through periods of economic and financial market turbulence, our team has demonstrated the ability to effectively navigate these situations to recover capital and ensure the best outcomes for our shareholders. (I would encourage you to review the additional disclosure in our MD&A on this topic.)

Given that we continue to expect recovery of our invested capital, we remain highly confident in the book value of the portfolio. Shareholders' equity increased modestly to $701 million, or $8.45 per share, at year end, well above the weighted average trading price of the shares at the time of this report.

"MOST IMPORTANTLY, THE COMPANY REMAINS WELL POSITIONED TO BUILD ON ITS LONG TRACK RECORD OF STABLE MONTHLY DIVIDENDS. AS INTEREST RATES BEGIN TO COME DOWN, WE BELIEVE THIS MONTHLY DIVIDEND WILL PROVIDE A COMPELLING RISK-ADJUSTED RETURN FOR OUR SHAREHOLDERS."

In terms of the portfolio growth and composition, we were intentionally cautious through much of 2023, adjusting the pace of new investments while ensuring sufficient lending to maintain a healthy payout ratio and meet our income objectives. Higher rates and rate instability create issues across many industries, and in commercial real estate, we have seen a general slowdown in transaction activity. For the full year, we invested roughly $313 million in new mortgage investments and additional advances on existing mortgages, offset by repayments of approximately $498 million, resulting in a net decrease in the portfolio year-over-year to $946 million. After a period of inactivity, many borrowers were able to execute on their exit plans to either seek term financing or sales. The higher turnover is beneficial in that it increases the percentage of the portfolio invested at current valuation metrics and generates additional fee revenue as new loans are made and the portfolio grows back to its historical levels.

$0.84

DISTRIBUTABLE INCOME PER SHARE ($0.79 PER SHARE IN 2022)

81.9%

PAYOUT RATIO ON DISTRIBUTABLE INCOME

"OVER THE PAST 15 PLUS YEARS, THROUGH PERIODS OF ECONOMIC AND FINANCIAL MARKET TURBULENCE, OUR TEAM HAS DEMONSTRATED THE ABILITY TO EFFECTIVELY NAVIGATE THESE SITUATIONS TO RECOVER CAPITAL AND ENSURE THE BEST OUTCOMES FOR OUR SHAREHOLDERS. "

While origination volume was down temporarily, how we invest remains largely unchanged. Our conservative investment approach continues to be underpinned by an emphasis on income-producing commercial real estate in urban markets. At year end, 86% of our investments were in income-producing properties, with multi-residential real estate assets continuing to comprise the largest portion of the portfolio at 57%. First mortgages represented 89% of the portfolio at year end, and our weighted average loan-to-value was at a conservative level of close to 66%, down from the start of the year.

We ended the year on a note of optimism that interest rate increases had reached their peak and inflation levels were returning to normal. This sets the stage for rate cuts that are expected to begin as early as April or at some point during the latter part of 2024. As stability returns to the cost of debt, commercial real estate transaction volumes should rise, and this presents an attractive environment for Timbercreek to grow the portfolio back towards its historical size. We believe we're entering an advantageous period from a competitive perspective, and we're in a strong liquidity position. We completed a renewal of our credit facility earlier this year, including a revolver of $510 million and an accordion option of up to $100 million, giving us ample room to continue to deploy capital accretively as activity in the commercial real estate market accelerates.

Most importantly, the company remains well positioned to build on its long track record of stable monthly dividends. As interest rates begin to come down, we believe this monthly dividend will provide a compelling risk-adjusted return for our shareholders.

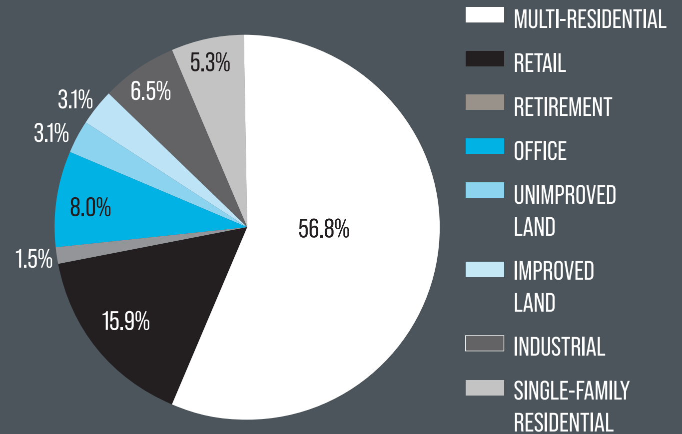
Thank you for your continuing support and confidence in us. We look forward to reporting on a progress in 2024.

Sincerely,

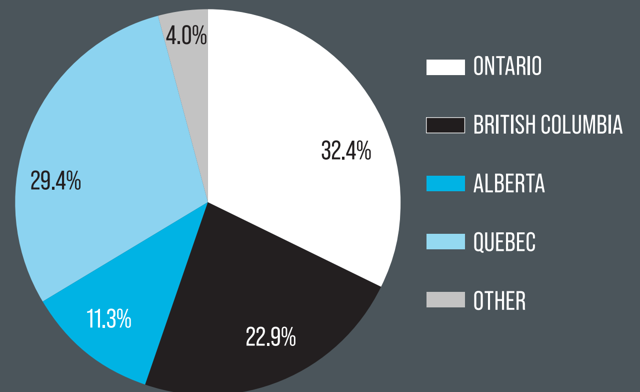
Blair Tamblyn

WELL-DIVERSIFIED PORTFOLIO

BY ASSET



BY REGION



AS AT DEC 31, 2023 - NET OF MORTGAGE SYNDICATIONS

PORTFOLIO BREAKDOWN BY ASSET DOES NOT INCLUDE DOES NOT INCLUDE NET MORTGAGE INVESTMENTS MEASURED AT FVTPL ($5.5MM AT DEC 31, 2023)

Q&A
WITH SCOTT ROWLAND

Scott Rowland, our Chief Investment Officer, talks about key topics and areas of focus from our 2023 results and the outlook for Timbercreek in 2024.

SCOTT ROWLAND
CHIEF INVESTMENT OFFICER

Scott is a leading Canadian non-bank lender, having been involved in over $25B of transactions across a wide variety of asset types and capital structures. Scott is responsible for the development of investment strategies and processes, as well as the overall performance of Timbercreek's portfolios. Scott is a highly seasoned investment professional with over 25 years of industry experience, including serving as the Co-Head of Debt Strategies for Fiera Properties, Managing Director for Blackstone's debt business in Canada and Managing Director for GE Capital Real Estate.

Q: THE RAPID RISE IN INTEREST RATES HAS MADE IT CHALLENGING FOR CERTAIN OF YOUR BORROWERS. WHAT'S THE OUTLOOK FOR THE STAGED LOANS?

We did see a material increase in the Stage 2 and 3 loans this past year, which was not unexpected given the spike in interest rates and overall economic headwinds. Many real estate owners that already faced stressed balance sheets coming out of the pandemic now had the additional strain of much higher debt service payments.

Advancing these staged loans toward repayment was a key focus in 2023, and we made material progress. Earlier this year, the largest of the staged loan exposure, representing a balance of $146.1 million, was fully resolved with complete recovery of principal and interest. We are diligently advancing the others and expect meaningful progress on several of these loans in 2024. However, to ensure we get the best outcomes for our shareholders, some of these will take time, and continued active management. This is part of the business. We invest in high-quality, mostly income-producing real estate and underwrite loans as if we may be the owners, so we're confident both in the quality of the underlying assets and our ability to recover our investment through active management.

Q: HOW DID THE PORTFOLIO PERFORM OVERALL IN 2023?

The broader portfolio has been resilient, which allowed us to generate record net investment income and strong distributable income with a conservative payout ratio of 81.9%, well below our historical

average. In fact, we generated enough excess income in 2023 to pay a special dividend. In short, we delivered on the key objective for our investors – stable monthly income – while navigating a challenging period of the commercial real estate cycle.

Since inception, we have managed the portfolio with a conservative philosophy, focusing on income-producing, mostly multi-residential assets in urban markets, and that generally serves us well in difficult periods. We also carefully manage diversification and risk within the portfolio, and the short-term nature of our loans allows us to quickly adjust exposure to a region, asset class, etc. I would highlight that the portfolio loan-to-value (LTV) came down during 2023 – a reflection of our efforts to invest more conservatively given the market conditions.

Q: THE MORTGAGE PORTFOLIO BALANCE WAS CONSIDERABLY LOWER AT YEAR END – WHY? HOW DO YOU SEE THAT TRENDING?

The mortgage portfolio balance was lower at year end for several reasons, beginning with the general slowdown in commercial real estate transaction activity in 2023 caused by higher interest rates and rate instability. As well, our investment team was cautious throughout most of last year. We allowed our leverage to come down and the gross portfolio to decrease while we worked through several challenging loans. Lastly, we had higher turnover (a good thing) in the fourth quarter, and it takes time to put that capital back to work in new loans.

The ultra-low-rate environment that we were operating in for much the last decade was challenging for active lenders like Timbercreek. We enter 2024 cautiously positive, with the knowledge that cycles end and conditions are favourable for improvement. With interest rate stability, we expect buyers and sellers to regain confidence in the market, which should translate to higher transaction levels broadly and new opportunities for the Timbercreek portfolio. As the market resets, we feel good about our competitive position and our ability to deploy capital to grow the portfolio in productive investments tied to high-quality assets. Between syndications, repayments and line availability, we are very well capitalized to take advantage of an improving market.

Q: HOW IS THE COMPETITIVE ENVIRONMENT FOR THE COMPANY?

Nothing significant has changed in the competitive landscape recently. That said, we often see lenders adjust their appetite and come into the market more aggressively or retrench depending on the macro conditions or their financial position at the time. At Timbercreek, we have a sizable capital base and a strong standing and reputation in the market nationally. And remember that we compete in a specific segment of the market – shorter-term loans that support assets during their value-add phase – where our ability to act quickly and flexibly is a competitive advantage.

From a seasonality perspective, we often see institutional lenders allocate more capital at the start of the year, which can impact our origination activity. Overall, however, we expect to see a steadily growing pipeline in 2024 given the expected uptick in transaction activity.

2023
PORTFOLIO HIGHLIGHTS

94
MORTGAGE INVESTMENTS

~57%
MULTI-FAMILY RESIDENTIAL

$11.1MM
AVERAGE
MORTGAGE SIZE

65.6%
WEIGHTED AVERAGE
LOAN-TO-VALUE

96.0%
INVESTED IN
URBAN MARKETS

88.9%
FIRST
MORTGAGES

Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the year ended December 31, 2023 and 2022

TIMBERCREEK
FINANCIAL

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

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

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

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

This MD&A is dated February 26, 2024. 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.sedarplus.ca.

BUSINESS OVERVIEW

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

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

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

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

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three months and year ended December 31, 2023. This MD&A should be read in conjunction with the consolidated financial statements for the years ended December 31, 2023 and 2022, which are prepared in accordance with IFRS Accounting 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.sedarplus.ca.

NON-IFRS MEASURES

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

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

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

Non-IFRS financial measures for net mortgage investments:

i. Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and expected credit 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 (at origination), or subsequently when the underlying collateral is revalued. For construction/ redevelopment mortgage investments, fair value is based on an "as completed" basis. For unimproved and improved land, 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.

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 expected credit 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, expected credit 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.
vi. Adjusted distributable income per share – represents the total adjusted distributable income divided by the weighted average common shares outstanding for the stated period.
vii. Payout ratio on adjusted distributable income – represents total common share dividends paid and declared for payment, divided by adjusted distributable income for the stated period.
viii. Adjusted net income and comprehensive income – represents adjusted net income and comprehensive income for the stated period to exclude the impact from unrealized fair value (gain)/loss on financial assets measured at FVTPL and on derivative contracts (interest rate swap) used for hedging purposes but hedge accounting was not adopted. The fair value loss on financial assets represents the change in unrealized loss determined based on the fair value that the Company determined using its valuation policies on the financial assets. The fair value (gain)/loss on the interest rate swap contract represents the change in unrealized appreciation or depreciation of fair value of the interest rate swap, determined based on the fair value that the Company would pay or receive if the interest rate swap had been terminated as at the reporting date.
ix. Adjusted earnings per share – adjusted earnings per share is calculated in the same manner as earnings per share using adjusted net income and comprehensive income for the stated period.
x. Payout ratio on adjusted earnings per share – represents total common share dividends paid and declared for payment, divided by adjusted net income and comprehensive income for the stated period.

RECENT DEVELOPMENTS AND OUTLOOK

The Company is pleased to report its Q4 2023 results, which were highlighted by net investment income of $29.7 million (Q4 2022 – $31.3 million), distributable income of $17.5 million (Q4 2022 – $18.4 million) as well as material progress on the resolution of some Stage 3 assets. Earnings per share and distributable income per share were $0.18 and $0.21 in Q4 2023 versus $0.18 and $0.22, respectively, in the same period last year, demonstrating continued strong underlying fundamentals. The distributable income payout ratio continues to be low at 82.0%, reinforcing the Company's ability to continue generating healthy cash flows and dividends.

In light of the strong full-year income results, and in addition to paying 69 cents per share in dividends through the year, the Company has authorized a special dividend of 5.75 cents per share, for shareholders of record as at March 5, 2024. The special dividend will be paid on March 11, 2024. The dividend equates to $4.8 million of additional payout to shareholders. The balance of undistributed income is reflected in the Company's book value per share, ending at $8.45 for the year (before payment of special dividend expected in March 2024) versus $8.33 at the end of 2022.

From a macro perspective, it's worthwhile to reflect on the significant changes in the commercial real estate market over the last two years and the implications for Timbercreek Financial. As the world emerged from Covid-19, substantial supply and demand imbalances resulted in high levels of inflation. Central Banks, including the Bank of Canada, have combated this issue with a rapid rise in interest rates to cool the economy. The prime rate in Canada reached 7.2.% in July 2023, a cumulative increase of 4.75% over 16-months from the first increase in March 2022. Real estate owners, many of which already faced stressed balance sheets coming out of Covid, now faced the additional strain of higher debt service payments. These negative conditions were reflected in the outlook for the sector and led to declines in share prices of public real estate companies and mortgage lenders such as Timbercreek Financial. Looking at the Company specifically, the pressure of this real estate cycle has led to an increase in Stage 2 and 3 loans, and management has been reporting on these loans in detail throughout 2023. The Timbercreek team is experienced in dealing with these scenarios and is pleased with the progress to date, as discussed in further detail below. As a floating rate lender, the corollary of higher rates has been a substantial increase in the Company's income, providing significant cushion to offset the temporary delinquency in the mortgage portfolio.

Q4 2023 ended with a high turnover ratio of 19.2% and a net mortgage portfolio balance of $946.2 million versus $1,195.8 million at the end of 2022. The reduction in the size of the portfolio was driven by several factors. The first was the natural turnover of the Company's portfolio as assets emerge from the value-add programs that the Company focuses on and borrowers logically seek to transition to lower cost conventional term financing. Secondly, there was a marked slowdown in market transactions as fewer trades took place given uncertain asset pricing. Finally, the Company was intentionally cautious on new lending given the uncertainty in 2023. Management tightened underwriting standards and the pace of new investments while ensuring sufficient lending to maintain a healthy payout ratio. As we look forward into 2024, management is optimistic about the current investment environment. On the collateral side, the current down cycle is 18-months old, rent inflation is rolling through to bottom lines, and optimism of future interest rate cuts will all act to enhance asset values. This creates an ideal environment to expand the portfolio on an attractive risk-adjusted basis and Timbercreek enters 2024 in a strong liquidity position to take advantage of this opportunity. As 2024 remains a transitional year, the Manager will continue to act prudently and monitor the existing portfolio closely. On new loans, the Manager will continue to focus on multi-family income producing loans, but there will likely be opportunities in non-income investments such as land or condo-inventory with borrowers needing liquidity. The Manager will lean into some of these opportunities where the risk-return profile is significantly enhanced given this moment in time in the cycle.

Looking at the quarter-end and year-end results in more detail, the loan portfolio of $946.2 million had a weighted-average interest rate for the quarter of 10.0%. In Q4 2023, the Company advanced net new mortgages of $61.2 million, and $16.2 million on existing mortgages, offset by total mortgage portfolio repayments of $199.7 million. Mortgage repayment activity increased in the fourth quarter, and portfolio turnover increased to 19.2% compared to 6.0% in Q3 2023. As expected, the Company experienced increased turnover in the fourth quarter as borrowers executed on their exit plans to either seek term financing or sales. The higher turnover is beneficial in that it increases the percentage of the Company's loan portfolio invested at current valuation metrics and will generate additional fee revenue at origination. The Company ended the year on a note of optimism that interest rate increases had reached their peak and would even be coming down in the latter part of 2024, which should drive commercial real estate transaction volumes.

On the capital front, the Company recently completed a renewal of its credit facility including a revolver of $510.0 million and an accordion option of up to $100.0 million. The credit facility gives the Company ample room to continue to deploy capital accretively as activity in the commercial real estate market accelerates.

With staged loans, the Company continues to see progress on these files and was very pleased to announce the official sale of the portfolio of seven multi-family, Stage 3 loans in Quebec. These loans, representing a balance of $146.1 million, were fully repaid in January 2024 with Timbercreek recovering all principal and accrued interest. As a result the associated expected credit loss of $1.6 million was fully reversed in Q4 2023. An update on the balance of other staged loans is provided below:

Stage 3 loans:

1. $12.4 million net mortgage investment in a multi-family loan currently part of a CCAA process in Montreal.
   Status: In Q4 2023 the asset remained in Stage 3, however, a purchaser 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 borrowers have executed a forbearance agreement which includes the requirement for the borrowers to inject more equity into the project. The Company expects the loan to be performing in Q1 2024, including the Company being made current on its interest arrears. The Company ultimately expects full repayment of the loan.

2. $15.6 million net mortgage investment condo inventory exposure in Edmonton.
   Status: The Company is actively working to sell the remaining condo inventory. With the assumption that interest rates will start to decline in 2024, the Company anticipates sales activity to increase in 2024. The original inventory balance was $23.7 million.

3. $9.0 million net mortgage investment on a medical office building in Ottawa.
   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 exploring redevelopment potential with excess density and potentially targeting a sales process in the first half of 2024.

4. $38.5 million net mortgage investments in two office properties and one retail property with the same sponsor in Calgary
   Status: The Company continues to be in discussions with the sponsorship group to execute on a forbearance agreement along with potential plans for the near-term sale of one of the assets. The Company expects to have a more fulsome update with its Q1 2024 financial results.

Stage 2 loans:

1. $18.0 million net mortgage income producing multi-family loan in Edmonton.
   Status: The loan was extended in Q4 2023 for a seven 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. $15.4 million net mortgage investment relating to one income producing office asset in Calgary.
   Status: A forbearance agreement has been signed. Additional structure has been implemented which will see bullet repayments on the loan subject to other non-Calgary related asset sales (via equity pledges) of in 2024/2025.

Real Estate Inventory:

$62.0 million (net) in a portfolio of three senior living assets in Montreal

Status: The Company has been working with the property manager and has seen improvement in the asset including an increase in the cash yield. The plan is to continue to stabilize the performance of the asset and seek a 3rd party sale in due course. The Company does not expect principal losses on the ultimate sale and will likely reverse its expected credit losses of $2.6 million.

$30.6 million in a portfolio of land in Simcoe County

Status: The Company continues to actively manage the portfolio and is advancing development options with the city. The business plan will transition to the disposition phase in 2024 with select components of the portfolio coming to sale.

PORTFOLIO ACTIVITY

In Q4 2023, the Company advanced $61.2 million on 7 new net mortgage investments and made additional advances of $16.2 million. Portfolio turnover increased to 19.2% (with total mortgage portfolio repayments of $199.7 million, including borrower repayments of $176.2 million), compared with 6.0% in Q3 2023. Net value of the mortgage portfolio, excluding syndications, decreased by $122.4 million (from $1,068.6 million in Q3 2023 to $946.2 million at the end of Q4 2023). The Company's credit facility had a balance of $260.0 million at the end of Q4 2023, compared to $405.1 million at the end of Q3 2023.

At the end of Q4 2023, 86.0% of the mortgage investments were secured by income-producing properties ("IPP"), compared to 86.5% in Q3 2023. Multi-residential real estate assets (apartment buildings) continue to comprise the largest portion of the portfolio at 56.5% at quarter end, compared to 58.2% in Q3 2023.

The Company's exposure to first mortgages was 88.9% of the net mortgage portfolio at year end. WALTV of 65.6% was lower compared to 67.0% WALTV in Q3 2023. The improvement in WALTV is mostly explained by new loans funded at lower LTV while loans with higher LTV were discharged in the fourth quarter. Our weighted average interest rate in Q4 2023 was 10.0% with an exit rate of 10.0% as at December 31, 2023, which is slightly lower than the 10.1% exit rate at September 30, 2023. The distributable income payout ratio was 82.0% in Q4 2023.

The Company's mortgage portfolio remains heavily weighted toward Canada's largest provinces, with approximately 96.0% 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.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL POSITION INFORMATION	December 31, 2023	December 31, 2022	December 31, 2021
Net mortgage investments[1]	**$ 946,222**	$ 1,195,809	$ 1,159,634
Enhanced Return Portfolio[1]	**$ 62,658**	$ 72,945	$ 84,603
Real estate inventory net of collateral liability	**$ 92,556**	$ 30,245	$ —
CAPITAL STRUCTURE			
Total assets	**$ 1,785,957**	$ 1,916,039	$ 1,732,064
Total liabilities	**$ 1,084,818**	$ 1,217,496	$ 1,047,481
Shareholders' equity	**$ 701,139**	$ 698,543	$ 684,583
Book value per share	**$ 8.45**	$ 8.33	$ 8.33
Convertible debentures, par	**$ 146,000**	$ 146,000	$ 146,000
Credit facility	**$ 259,704**	$ 450,347	$ 449,869
Total debentures and credit facility utilized	**$ 405,704**	$ 596,347	$ 595,869
Maximum credit limit available	**$ 515,537**	$ 700,528	$ 711,690
Credit utilization rate	**78.7 %**	85.1 %	83.7 %
COMMON SHARE INFORMATION			
Number of common shares outstanding	**83,009,516**	83,887,516	82,219,602
Closing trading price	**$ 6.67**	$ 7.11	$ 9.61
Market capitalization	**$ 553,673**	$ 596,440	$ 790,130

1. Refer to non-IFRS measures section.

OPERATING RESULTS[1]

	Three months ended December 31,		Year ended December 31,		
NET INCOME AND COMPREHENSIVE INCOME	**2023**	**2022**	**2023**	**2022**	**2021**
Net investment income on financial assets measured at amortized cost	**$29,722**	$31,342	**$ 124,205**	$ 109,803	$ 90,249
Fair value gain and other income on financial assets measured at FVTPL	**463**	736	**1,282**	1,388	(10,291)
Net rental income (loss)	**327**	(278)	**(595)**	(151)	1,499
Fair value gain (loss) on real estate properties	**—**	82	**63**	(296)	(4,374)
Expenses	**(5,443)**	(6,671)	**(19,140)**	(22,592)	(16,237)
Income from operations	**$25,069**	$25,211	**$ 105,815**	$ 88,152	$ 60,846
Financing costs:					
Financing cost on credit facility	**(7,846)**	(8,137)	**(30,396)**	(23,234)	(16,734)
Financing cost on convertible debentures	**(2,249)**	(2,260)	**(8,998)**	(9,022)	(6,745)
Fair value gain on derivative contract	**—**	—	**—**	—	(3,940)
Net income and comprehensive income	**$14,974**	$ 14,814	**$ 66,421**	$ 55,896	$ 41,307
Payout ratio on earnings per share	**95.8 %**	97.7 %	**86.7 %**	103.3 %	135.9 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME					
Net income and comprehensive income	**$14,973**	$14,814	**$ 66,421**	$ 55,896	$ 41,307
Add: fair value gain on derivative contract (interest rate swap)	**—**	—	**—**	—	(3,940)
Add: Net unrealized (gain) loss on financial assets measured at FVTPL	**(292)**	(122)	**(342)**	1,546	13,748
Add: Net unrealized loss on real estate properties	**—**	—	**—**	95	4,374
Adjusted net income and comprehensive income[1]	**$14,681**	$14,692	**$ 66,078**	$ 57,537	$ 55,489
Payout ratio on adjusted earnings per share[1]	**97.7 %**	98.6 %	**87.2 %**	100.3 %	101.2 %
PER SHARE INFORMATION					
Dividends declared to shareholders	**$14,340**	$14,480	**$ 57,603**	$ 57,721	$ 56,142
Weighted average common shares (in thousands)	**83,176**	83,970	**83,509**	83,622	81,325
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.69	$ 0.69
Earnings per share (basic)	**$ 0.18**	$ 0.18	**$ 0.80**	$ 0.67	$ 0.51
Earnings per share (diluted)	**$ 0.18**	$ 0.18	**$ 0.78**	$ 0.67	$ 0.51
Adjusted earnings per share (basic)[1]	**$ 0.18**	$ 0.17	**$ 0.79**	$ 0.69	$ 0.68
Adjusted earnings per share (diluted)[1]	**$ 0.18**	$ 0.17	**$ 0.78**	$ 0.69	$ 0.68

1. Refer to non-IFRS measures section.

OPERATING RESULTS[1]

DISTRIBUTABLE INCOME	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Adjusted net income and comprehensive income[1]	**$ 14,681**	$ 14,692	**$ 66,078**	$ 57,537
Less: Amortization of lender fees	**(1,886)**	(1,748)	**(8,279)**	(8,726)
Add: Lender fees received and receivable	**2,163**	2,056	**6,597**	7,708
Add: Amortization of financing costs, credit facility	**399**	262	**953**	984
Add: Amortization of financing costs, convertible debentures	**243**	253	**972**	1,006
Add: Accretion expense, convertible debentures	**114**	114	**454**	454
Add: Unrealized fair value gain on DSU	**(8)**	(33)	**(67)**	(201)
Add: Expected credit loss	**1,782**	2,800	**3,649**	7,482
Distributable income[1]	**$ 17,488**	$ 18,396	**$ 70,357**	$ 66,244
Payout ratio on distributable income[1]	**82.0 %**	78.7 %	**81.9 %**	87.1 %
PER SHARE INFORMATION				
Dividends declared to shareholders	**$ 14,340**	$ 14,480	**$ 57,603**	$ 57,721
Weighted average common shares (in thousands)	**83,176**	83,970	**83,509**	83,622
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.69
Distributable income per share[1]	**$ 0.21**	$ 0.22	**$ 0.84**	$ 0.79

1. Refer to non-IFRS measures section.

For the three months ended December 31, 2023 ("Q4 2023") and December 31, 2022 ("Q4 2022")

- The net mortgage investment portfolio has decreased by $122.4 million from $1,068.6 million at the end of Q3 2023, to $946.2 million at the end of Q4 2023 (Q4 2022 – $1,195.8 million). The Company advanced $77.3 million in net mortgage investments, offset by total mortgage portfolio repayments of $199.7 million, including borrower repayments of $176.2 million.

- On net mortgage investment advances, the Company advanced 7 new net mortgage investments (Q4 2022 – 7) totaling $61.2 million (Q4 2022 – $138.6 million) and made additional advances on existing net mortgage investments of $16.2 million (Q4 2022 – $13.1 million). The collateral on new advances in net mortgage investments comprised of mainly multi-residential real estate assets. The weighted average interest rate on new net mortgage investments' advances was 9.9%, an increase from 9.0% in Q3 2023 (Q4 2022 – 9.0%).

- On net mortgage investment repayments, 18 net mortgage investments (Q4 2022 – 14) were fully repaid. The Company received total mortgage portfolio repayments of $199.7 million (Q4 2022 – $208.7 million), including borrower repayments of $176.2 million (Q4 2022 – $211.4 million). The weighted average interest rate on fully repaid net mortgage investments was 10.6%, consistent with 10.6% in Q3 2023 (Q4 2022 – 9.1%). The turnover ratio was 19.2% for Q4 2023 compared to 17.2% in Q4 2022.

- The quarterly weighted average interest rate on net mortgage investments was 10.0% in Q4 2023, compared to 9.9% in Q3 2023 (Q4 2022 – 9.7%).

    - In Q4 2023 first mortgage positions represented 88.9% of the net mortgage investments whereas first mortgage positions represented 92.4% of the net mortgage investments in Q4 2022 .

    - Interest rate exposure in the existing portfolio was well protected at the end of Q4 2023 floating rate loans with rate floors representing 86.1% (Q4 2022 – 88.5%). Of the remaining portfolio, 7.2% (Q4 2022 – 5.4%) is allocated to floating rate loans without floors and 6.7% (Q4 2022 – 6.0%) is allocated to fixed rate loans.

- Other investments within the enhanced return portfolio were $62.7 million (Q4 2022 – $72.9 million), year-over-year decrease of $10.2 million primarily due to loan repayments partially offset by investment in equity instrument.

- Net investment income on financial assets measured at amortized cost decreased by $1.6 million from the previous year ($29.7 million in Q4 2023 compared to $31.3 million in Q4 2022), predominantly due to lower average balance in net mortgage investments ($1,042.6 million in Q4 2023 compared to $1,227.4 million in Q4 2022).

- Fair value gain and other income on financial assets measured at FVTPL decreased from a net gain of $0.7 million in Q4 2022. to a net gain $463 in Q4 2023 due to lower fair value mortgage balance.

- Net rental income of $327 (Q4 2022 – loss of $278) includes three months of net rental income of $0.7 million (Q4 2022 – nil) from the real estate properties inventory which were acquired on August 31, 2023. Net rental income was partially offset by net rental loss from land inventory of $332 (Q4 2022 – loss of $278) which was acquired in May 2022.

- No fair value gain or loss on real estate properties was recorded in Q4 2023 (Q4 2022 – loss of $296).

- Expenses for the quarter were $5.4 million (Q4 2022 – $6.7 million).

    - Management fees of $2.8 million (Q4 2022 – $3.0 million). The average gross assets were $1,213.4 million compared to $1,344.3 million in Q4 2022.

  - General and administrative expenses of $0.7 million for Q4 2023 (Q4 2022 – $0.6 million), after adjusting for the impact of DSU market-to-market gains of $8 (Q4 2022 – gains of $33) and foreign exchange losses of $56 (Q4 2022 – losses of $211), adjusted general and administrative expenses were $0.6 million (Q4 2022 – $430) for the quarter, representing an increase of $185 over the comparable quarter. Increase is largely driven by an increase in professional fees in the quarter.

  - Provisions for mortgage investment expected credit losses of $1.8 million for Q4 2023 (Q4 2022 – $2.8 million), The reduction is largely driven by the recovery of $1.6 million provisions from Stage 3 loans which are now in Stage 1 and have subsequently been fully repaid with no losses. Offsetting this is an increase in Stage 2 and 3 loan loss provisions of $1.4 million which include provisions for interest not yet earned.

- Income from operations saw a $100 decrease over the prior year ($25.1 million in Q4 2023 compared to $25.2 million in Q4 2022) largely driven by a decrease in ECL provisions of $1.0 million as noted above, partially offset by a decrease in net investment income of $1.6 million.

- Financing cost on the credit facility was $7.8 million (Q4 2022 – $8.1 million), including interest expense of $7.4 million (Q4 2022 – $7.9 million) and financing cost amortization of $401 (Q4 2022 – $262). A decrease in interest expense of $428 over the prior year comparative period is primarily due to a $137.3 million decrease in average credit utilization (Q4 2023 was $359.0 million compared to $496.3 million in Q4 2022), partially offset by the increased base rate of borrowing of 75 basis points since the comparable quarter (Q4 2023 – prime rate of 7.20% compared to Q4 2022 – 6.45%).

- Financing cost on the convertible debentures was $2.2 million (Q4 2022 – $2.3 million), including interest expense of $1.9 million (Q4 2022 – $1.9 million) and financing cost amortization and accretion expense of $357 (Q4 2022 – $367).

- Net income and comprehensive income of $15.0 million (Q4 2022 – $14.8 million) or basic earnings per share of $0.18 (Q4 2022 – $0.18 basic earnings per share), representing a payout ratio of 95.8% (Q4 2022 – 97.7%).

- After adjusting for the unrealized fair value gain from financial assets measured at FVTPL of $292 (Q4 2022 – gain of $122), the Company generated adjusted net income and comprehensive income of $14.7 million (Q4 2022 – $14.7 million) or basic and diluted adjusted earnings per share of $0.18 and $0.18 (Q4 2022 – $0.17 and $0.17 basic and diluted adjusted earnings per share).

- The Company declared $14.3 million in dividends to common shareholders (Q4 2022 – $14.5 million), representing a payout ratio of 97.7% (Q4 2022 – 98.6%) on an adjusted earnings per share basis.

- Non-refundable lender fees recorded were $2.2 million (Q4 2022 – $2.1 million), origination activity is lower in the comparable quarter, $61.2 million in Q4 2023 versus $138.6 million issued in Q4 2022. The quarterly weighted average lender fees on new and renewed mortgages was 1.0% during the quarter (Q4 2022 – 1.2%), while the quarterly weighted average lender fee on new mortgages only was 1.2% (Q4 2022 – 1.4%).

- The Company generated distributable income of $17.5 million (Q4 2022 – $18.4 million) or distributable income per share of $0.21 (Q4 2022 – $0.22 per share) representing a payout ratio of 82.0% (Q4 2022 – 78.7%) for the quarter.

- The Company repurchased 332,600 common shares in Q4 2023 (Q4 2022 – 107,500) for cancellation at an average price of $6.53 (Q4 2022 – $7.20) per share.

- The Company paused its ATM program starting in Q3 2022 due to depressed stock price. Under the program, the Company was allowed to issue common share from treasury for up to $90 million prior to July 11, 2023.

For the years ended December 31, 2023 ("2023") and December 31, 2022 ("2022")

- The net mortgage investment portfolio as at December 31, 2023 decreased by $249.6 million to $946.2 million from the net mortgage investment portfolio as at December 31, 2022 of $1,195.8 million. The Company advanced $313.2 million in net mortgage investments, offset by total mortgage portfolio repayments of $498.4 million, including borrower repayments of $427.6 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 27 new net mortgage investments (2022 – 48) totaling $223.4 million (2022 – $559.1 million), made additional advances on existing net mortgage investments totaling $89.8 million (2022 – $77.6 million).
- On net mortgage investment repayments, 46 (2022 – 44) were fully repaid with a balance of $390.9 million (2022 – $395.3 million). Partial repayments on net mortgage investments were $36.6 million (2022 – $77.8 million). Additionally, the Company syndicated out $70.8 million of its mortgage investments during 2023 (2022 – $93.7 million).
- WALTV decreased to 65.6% as at December 31, 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 $946.2 million bore a weighted average interest rate of 10.0% as at December 31, 2023 (December 31, 2022 – $1,195.8 million, 10.0%). Weighted average interest rate in the existing net mortgage portfolio is well protected at the end of Q4 2023 with only 6.7% of the portfolio at fixed interest rates (December 31, 2022 – 6.0%) and floating interest rate loans with rate floors representing 86.1% of the portfolio (December 31, 2022 – 88.5%).
- Other investments within the enhanced return portfolio were $62.7 million, including an expected credit loss of $337 (December 31, 2022 – $72.9 million and $0.7 million, respectively). The decrease in other investments was primarily due to repayments of other loan investments of $13.5 million in the year, partially offset by an investment of $3.0 million in equity instrument.
- Net investment income on financial assets measured at amortized cost was $124.2 million (2022 – $109.8 million), an increase of $14.4 million, or 13.1% from 2022. The increase in net investment income was primarily driven by 475 basis points Bank of Canada policy rate increases over past two years (December 31, 2023 – prime rate of 7.20% compared to December 31, 2022 - prime rate of 6.45%, and January 1, 2022 – prime rate of 2.45%), partially offset by lower average net mortgage investments through the year.
- Fair value gain and other income on financial assets measured at FVTPL was consistent with prior year, a net gain of $1.3 million in 2023 compared to a net gain of $1.4 million in 2022.
- Net rental loss from real estate inventory was $0.6 million (2022 – loss of $151), consists of four months of net rental income of $0.9 million (2022 – nil) from the real estate properties inventory which was acquired on August 31, 2023. Net rental income from the real estate properties inventory was offset by the net rental loss from land inventory of $1.5 million (2022 – loss of $0.7 million) which was acquired in May 2022.
- Fair value gain of $63 on real estate properties was recorded in 2023 (2022 – loss of $296).
- Expenses for 2023 were $19.1 million (2022 – $22.6 million).
    - Management fees of $11.8 million (2022 – $12.2 million). The average gross assets were lower at $1,243.3 million compared to $1,362.2 million in 2022.
    - General and Administrative expenses of $2.9 million (2022 – $2.1 million), after adjusting for the impact of DSU mark-to-market gains of $67 (2022 – gains of $201) and foreign exchange losses of $71 (2022 – gains $144), adjusted general and administrative expenses were $2.9 million (2022 – $2.5 million). Included in general and administration expenses for the year are $0.8 million of legal costs associated with Stage 3 loans in Quebec which may be recovered by the Company.

  - Provisions for mortgage investment losses for the year were $3.6 million (2022 – $7.5 million), higher provisions in 2022 were related to new Stage 3 loans, which either reversed/transferred or remained consistent in 2023. 2023 provisions are reflective of the recovery of a $0.8 million provision from Stage 3 loans which are now in Stage 1 and have subsequently been fully repaid with no losses. Offsetting this are additional Stage 2 and Stage 3 loan loss provisions of $3.4 million which include provisions for interest not yet earned.

- The Company generated income from operations of $105.8 million (2022 – $88.4 million). This is an increase of $17.6 million or 20.0% from 2022 driven by the factors noted above.

- Financing costs on credit facility were $30.4 million (2022 – $23.0 million), including interest expense of $29.4 million (2022 – $22.0 million) and financing cost amortization of $1.0 million (2022 – $1.0 million). The significant increase in financing costs was primarily due to 475 basis points of Bank of Canada policy rate increases over the two year comparable period (December 31, 2023 – prime rate of 7.20% compared to December 31, 2022 at 6.45% and January 1, 2022 at 2.45%), partially offset by a 24% lower average utilization of the credit facility (2023 – $390.9 million versus 2022 – $510.9 million).

- Financing costs on convertible debentures were $9.0 million (2022 – $9.0 million), including interest expense of $7.6 million (2022 – $7.6 million), same as prior year and amortization and accretion of $1.4 million (2022 – $1.5 million).

- The Company generated net income and comprehensive income of $66.4 million (2022 – $56.3 million) or basic and diluted earnings per share of $0.80 and $0.78 (2022 – basic and diluted earnings per share of $0.67), representing a payout ratio on earnings per share of 86.7% (2022 – 103.3%). The results were significantly improved over the prior year period as a result of higher top-line interest income and lower expected credit loss.

- The Company generated adjusted net income and comprehensive income of $66.1 million (2022 – $57.5 million) or basic and diluted adjusted earnings per share of $0.79 and $0.78 (2022 – basic and diluted adjusted earnings per share of $0.69). The Company declared $57.6 million in dividends (2022 – $57.7 million) to common shareholders, representing a payout ratio of 87.2% (2022 – 100.3%) on an adjusted earnings per share basis.

- Non-refundable lender fees recorded were $6.6 million (2022 – $7.7 million). Lender fees decreased mainly due to lower origination activities. The overall weighted average lender fee on new and renewed mortgages during the year was 1.0% (2022 – 1.1%), while the weighted average lender fee on only new mortgages funded in 2023 was 1.3% (2022 – 1.2%)

- The Company generated distributable and adjusted distributable income of $70.4 million (2022 – $66.2 million) or distributable and adjusted distributable income per share of $0.84 (2022 – distributable and adjusted distributable income per share of $0.79), representing a payout ratio of 81.9% (2022 – 87.1%) on a distributable and adjusted distributable income basis.

- The Company repurchased 878,000 common shares (2022 – 117,500) for $6.2 million (2022 – $0.8 million) at an average price of $7.09 (2022 – $7.20) per share.

- The company paused its ATM program from Q3 2022. During 2023, the Company did not issue any common shares from treasury under the program. During 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.

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.

During Q4 2023 and 2023, the Company earned net investment income on financial assets measured at amortized cost of $29.7 million and $124.2 million (Q4 2022 – $31.3 million; 2022 – $109.8 million). Net investment income includes the following:

a. Interest income

During Q4 2023 and 2023, the Company earned interest income on mortgage investments at amortized cost of $26.5 million and $110.2 million (Q4 2022 – $28.9 million; 2022 – $96.0 million). The decrease in interest income for the quarter was due to higher turnover on loan repayments, resulting in net mortgage investments balance decreasing from $1,195.8 million at December 31, 2022, to $946.2 million at December 31, 2023. The overall increase in interest income for the year is primarily explained by higher weighted average interest rate of 9.9% on $1,110.9 million average net mortgage balance, compared to weighted average interest rate of 8.1% on $1,187.4 million in 2022.

During Q4 2023 and 2023, the Company earned $1.2 million and $5.0 million (Q4 2022 – $1.1 million; 2022 – $5.3 million) of interest income on other loan investments in the enhanced return portfolio. Quarter over quarter interest income is consistent, average interest rate increased slightly driving revenues up, offset by lower average loan balance in other loan investments. The decrease in interest income for the year is a result of lower average balance in other loan investments.

b. Lender fee income

During Q4 2023 and 2023, the Company recognized income from amortization of lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities of $1.8 million and $7.9 million (Q4 2022 – $1.8 million; 2022 – $8.5 million). Additionally, in Q4 2023 and 2023, the Company recorded non-refundable lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities, of $2.2 million and $6.3 million (Q4 2022 – $2.0 million; 2022 – $7.4 million), which are amortized to interest income over the term of the related net mortgage investments using the effective interest rate method.

During Q4 2023 and 2023, the Company recognized income from amortization of lender fees on other loan investments of $66 and $407 (Q4 2022 – reversal of $78; 2022 – income of $267). Additionally, in Q4 2023 and 2023, the Company recorded non-refundable upfront cash lender fees of nil and $300 (Q4 2022 – $103; 2022 – $296), 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 1.0% and 1.0% for 2023, respectively (Q4 2022 – 1.2%; 2022 – 1.1%), while the weighted average lender fee on new mortgages only was 1.2% and 1.3% for 2023, respectively (Q4 2022 – 1.4%; 2022 – 1.2%).

c. Other income/loss

During 2023, the Company recognized other income of $177 and $0.7 million (Q4 2022 – $177; 2022 – $487), attributable to bank interest income and income from lease receivables.

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

During Q4 2023 and 2023, the Company recognized fair value gain and other income on financial assets measured at FVTPL of $463 and $1.3 million (Q4 2022 – $0.7 million; 2022 – $1.4 million).

The Company generated net interest income and other income on net mortgage investments measured at FVTPL of $171 in Q4 2023 and $0.7 million in 2023 (Q4 2022 – $0.7 million; 2022 – $1.9 million). The Company continues to measure its FVTPL assets using the direct comparison method, comparing the assets to directly comparable properties and has not recorded any fair value adjustments during the year (Q4 2022 – fair value loss of $122; 2022 – fair value loss of $1.7 million).

On investment in participating debentures measured at FVTPL, during Q4 2023 and 2023, the Company received total cash distribution of nil and $1.0 million, respectively (Q4 2022 – $46; 2022 – $0.6 million), out of which nil and $0.7 million were a return of capital on the investment (Q4 2022 – $1; 2022 – $174), nil and $274 were a distribution of income (Q4 2022 – $45; 2022 – $452). During Q4 2023 and 2023, the Company recognized an unrealized fair value gain of $292 and $342 (Q4 2022 – gain $409; 2022 – loss of $67).

Net rental income (loss) from real estate inventory

Real estate inventory generated net rental income of $327 during Q4 2023 and net rental loss of $0.6 million during 2023, respectively (Q4 2022 – loss of $278; 2022 – loss of $151).

Land inventory operations which were acquired in May 2022, incurred net rental loss of $332 in Q4 2023 and $1.5 million in 2023 (Q4 2022 – loss of $278; 2022 – loss of $0.7 million).

Real estate properties inventory which were acquired in August 2023, generated net rental income of $0.7 million in Q4 2023 and $0.9 million in 2023 (Q4 2022 – nil; 2022 – nil).

In 2022, net rental income for the year includes $0.5 million that was related to investment properties which were disposed on April 28, 2022.

Fair value loss on real estate properties

In the year ended 2023, no fair value loss recognized on current real estate properties. The Company received $63 in final distributions of working capital release from an investment property disposed in 2022. Recovery received in 2023 partially offsets loss of $296 recognized in 2022.

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 Q4 2023 and 2023, the Company incurred management fees of $2.8 million and $11.8 million (Q4 2022 – $3.0 million; 2022 – $12.2 million). The average gross assets were $1,213.4 million and $1,243.3 million (Q4 2022 – $1,344.3 million and 2022 – $1,362.2 million). For Q4 2023 and 2023, the Company incurred $177 and $0.7 million, respectively (Q4 2022 – $217 and 2022 – $0.8 million) in servicing fees. For Q4 2023 and 2023, Arrangement Fees of $299 and $0.8 million, respectively, paid by borrower were retained by the Manager (Q4 2022 – $202 and 2022 – $0.8 million).

Loan loss provisions

Provisions for mortgage investment losses for Q4 2023 and 2023 were $1,782 and $3.6 million (Q4 2022 – $2.8 million; 2022 – $7.5 million). Higher provisions in 2022 was related to new Stage 3 loans recognized in the previous year, which either reversed or remained consistent this year. Lower provisions in the current year are largely driven by the recovery of a $1.6 million provision from Stage 3 loans which are now in Stage 1 and have subsequently been fully repaid with no losses. Offsetting this are additional Stage 2 and Stage 3 loan loss provisions which include a provision for 12 month forward interest not yet earned. The loan loss provisions are an approximation of losses on the Stage 2 and Stage 3 loans and include future interest on the loans until the anticipated exit/resolution date of the loan.

General and administrative

For Q4 2023 and 2023, the Company incurred general and administrative expenses of $0.7 million and $2.9 million, respectively (Q4 2022 – $0.6 million; 2022 – $2.1 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 losses.

After adjusting for foreign currency net realized and unrealized losses of $56 and $71 for Q4 2023 and 2023, and non-cash mark to market gains on DSUs of $8 and $67, for Q4 2023 and 2023 respectively, general and administrative expenses would have been $0.6 million and $2.9 million for Q4 2023 and 2023 ($430 and $2.5 million for Q4 2022 and 2022). The adjusted increase compared to prior quarter relates to professional fees, while an increase in the year was mainly due to non-reimbursable legal costs associated with Stage 3 loans in Quebec.

Financing Costs

Financing cost on credit facility

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q4 2023 and 2023, included in financing costs is interest on the credit facility of $7.4 million and $29.4 million (Q4 2022 – $7.9 million; 2022 – $22.0 million), respectively. Additionally, financing costs amortization of $400 and $1.0 million (Q4 2022 – $262; 2022 – $1.0 million) were included in financing costs.

The quarterly interest expense on credit facility was $0.5 million lower in Q4 2023 compared to Q4 2022 mainly due to lower average credit utilization (Q4 2023 $359.0 million compared to $496.3 million in Q4 2022). Higher interest expense on credit facility in 2023 compared to 2022 was mainly due to higher borrowing rates (prime rate increased by 475 bps from 2022 to 2023), partially offset by the overall lower average credit utilization of $390.9 million in 2023 (2022 – $510.9 million).

For 2022 comparative period, the company incurred interest on the credit facility relating to investment properties disposed on April 2022, Q4 2022 and 2022 financing costs were nil and $253, 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 December 31, 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 December 31,		Year ended December 31,	
	2023	**2022**	**2023**	**2022**
Interest on the convertible debentures	**$ 1,893**	$ 1,893	**$ 7,572**	$ 7,562
Amortization of issue costs and accretion of the convertible debentures	**357**	367	**1,426**	1,460
Total financing cost on convertible debentures	**$ 2,250**	$ 2,260	**$ 8,998**	$ 9,022

Earnings per share

	Three months ended December 31,		Year ended December 31,	
PER SHARE INFORMATION	**2023**	**2022**	**2023**	**2022**
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.69
Earnings per share (basic)	**$ 0.18**	$ 0.18	**$ 0.80**	$ 0.67
Earnings per share (diluted)	**$ 0.18**	$ 0.18	**$ 0.78**	$ 0.67
Adjusted earnings per share (basic)[1]	**$ 0.18**	$ 0.17	**$ 0.79**	$ 0.69
Adjusted earnings per share (diluted)[1]	**$ 0.18**	$ 0.17	**$ 0.78**	$ 0.69
Distributable income per share[1]	**$ 0.21**	$ 0.22	**$ 0.84**	$ 0.79

1. Refer to non-IFRS measures section.

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		December 31, 2023		December 31, 2022
Mortgage investments, excluding mortgage syndications	$	**943,488**	$	1,189,215
Mortgage syndications		**601,624**		611,291
Mortgage investments, including mortgage syndications		**1,545,112**		1,800,506
Mortgage syndication liabilities		**(601,624)**		(611,291)
		943,488		1,189,215
Interest receivable		**(14,585)**		(10,812)
Unamortized lender fees		**5,226**		6,801
Expected credit loss		**12,093**		10,605
Net mortgage investments	$	**946,222**	$	1,195,809

Net mortgage investments statistics and ratios[1]		Three months ended December 31,				Year ended December 31,		
		2023		2022		2023		2022
Total number of mortgage investments		**94**		113		**94**		113
Average net mortgage investment	$	**11,092**	$	10,862	$	**11,092**	$	10,862
Average net mortgage investment portfolio	$	**1,042,629**	$	1,227,371	$	**1,110,926**	$	1,187,365
Weighted average interest rate for the period		**10.0 %**		9.7 %		**9.9 %**		8.1 %
Weighted average lender fees for the period		**1.0 %**		1.2 %		**1.0 %**		1.1 %
Turnover ratio		**19.2 %**		17.2 %		**44.9 %**		39.8 %
Average remaining term to maturity (years)		**0.7**		0.9		**0.7**		0.9
Net mortgage investments secured by cash-flowing properties		**86.0 %**		87.4 %		**86.0 %**		87.4 %
WALTV		**65.6 %**		68.3 %		**65.6 %**		68.3 %

1. Refer to non-IFRS measures section.

Portfolio allocation

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

a. Security position	December 31, 2023			December 31, 2022		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Interest in first mortgages	82	$	841,264	102	$	1,105,431
Interest in second and third mortgages[1]	12		104,958	11		90,378
	94	$	946,222	113	$	1,195,809

[1]Included in the Company's interest in second and third mortgages as at December 31, 2023 was $14.1 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 December 31, 2023 was $16.4 million (December 31, 2022 – $14.2 million).

b. Region	December 31, 2023			December 31, 2022		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Quebec	25	$	278,226	36	$	449,571
Ontario	32		306,163	33		295,664
British Columbia	17		217,125	25		298,778
Alberta	10		107,190	9		99,936
Other (Saskatchewan, Nova Scotia, Manitoba and New Brunswick)	10		37,518	10		51,860
	94	$	946,222	113	$	1,195,809

c. Maturity	December 31, 2023			December 31, 2022		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
2023	—	$	—	65	$	676,561
2024	62		679,801	41		398,124
2025	22		198,624	5		45,284
2026	9		67,672	2		75,840
2027	1		125	—		—
	94	$	946,222	113	$	1,195,809

d. Asset Type / WALTV at origination	December 31, 2023				December 31, 2022			
	Number		Net Mortgage Investments	WALTV at origination	Number		Net Mortgage Investments	WALTV at origination
Multi-Residential[1]	62	$	534,209	69.2%	68	$	627,892	70.4%
Retail	9		149,127	70.3%	12		151,806	70.4%
Unimproved Land[2]	2		28,755	36.7%	2		30,143	61.6%
Improved Land[3]	3		28,816	55.4%	3		25,954	55.2%
Office	6		75,028	58.8%	6		83,556	62.5%
Retirement	1		14,299	71.3%	2		78,649	80.8%
Industrial	7		61,090	51.9%	16		109,424	60.1%
Single-Residential	3		49,398	55.4%	3		82,885	54.0%
	93		940,722	65.3%	112		1,190,309	67.9%
Net mortgage investments measured at FVTPL	1		5,500	n/a	1		5,500	n/a
	94	$	946,222		113	$	1,195,809	

[1] Includes 6 construction loans (December 31, 2022 – 6) totaling $40.3 million (December 31, 2022 – $27.2 million). Construction loans are provided for the purposes of building a new asset.
[2] Unimproved land means serviced or unserviced lands that do not contemplate construction during the loan period.
[3] Improved land means serviced land with non-income producing properties intended to be substantially renovated or demolished that do not contemplate construction during the loan period.

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. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment. In one participation agreement, an option is provided to the third-party lender to sell their senior position back to the Company, at a purchase price equal to the outstanding principal amount of $35.1 million, the lenders' proportionate share together with all accrued interest. The Company has mortgage syndication liabilities of $601.6 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.

Expected Credit Loss ("ECL")

The expected credit losses are maintained at a level that management considers adequate to absorb credit-related losses on our mortgage and other loan investments, measured at amortized cost. The expected credit losses amounted to $12.4 million as at December 31, 2023 (December 31, 2022 – $11.4 million), of which $12.1 million (December 31, 2022 – $10.6 million) was recorded against mortgage investments and $337 (December 31, 2022 – $0.7 million) was recorded against other investments.

	As at December 31, 2023				As at December 31, 2022			
Multi-residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**$ 943,841**	**$ 58,235**	**$ 51,293**	**$1,053,369**	$1,020,893	$ —	$ 132,767	$1,153,660
Mortgage syndication liabilities[1]	**417,639**	**40,280**	**38,862**	**496,781**	382,077	—	60,361	442,438
Net mortgage investments	**526,202**	**17,955**	**12,431**	**556,588**	638,816	—	72,406	711,222
Expected credit losses[2]	**780**	**280**	**395**	**1,455**	1,424	—	1,409	2,833
	525,422	**17,675**	**12,036**	**555,133**	637,392	—	70,997	708,389
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**425,157**	**15,357**	**65,641**	**506,155**	628,128	—	32,227	660,355
Mortgage syndication liabilities[1]	**107,493**	**—**	**—**	**107,493**	170,508	—	—	170,508
Net mortgage investments	**317,664**	**15,357**	**65,641**	**398,662**	457,620	—	32,227	489,847
Expected credit losses[2]	**560**	**732**	**9,346**	**10,638**	414	—	7,358	7,772
	317,104	**14,625**	**56,295**	**388,024**	457,206	—	24,869	482,075
Other loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	**47,399**	**—**	**—**	**47,399**	60,742	—	—	60,742
Mortgage syndication liabilities[1]	**—**	**—**	**—**	**—**	—	—	—	—
Net mortgage investments	**47,399**	**—**	**—**	**47,399**	60,742	—	—	60,742
Expected credit losses[2]	**337**	**—**	**—**	**337**	745	—	—	745
	$ 47,062	**$ —**	**$ —**	**$ 47,062**	$ 59,997	$ —	$ —	$ 59,997

[1]Including interest receivable.
[2]Expected credit losses in finance lease receivable and unadvanced commitments are all considered to be with minimal ECL.

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

	Year Ended December 31, 2023				Year Ended December 31, 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
Expected credit losses:								
Remeasurement	**(623)**	**239**	**1,556**	**1,172**	352	—	1,277	1,629
Transfer to/(from)								
Stage 1	**(41)**	**—**	**—**	**(41)**	(132)	—	—	(132)
Stage 2	**—**	**41**	**—**	**41**	—	—	—	—
Stage 3	**—**	**—**	**—**	**—**	—	—	132	132
Total expected credit losses	**760**	**280**	**2,965**	**4,005**	1,102	—	1,409	2,511
Fundings	**218**	**—**	**—**	**218**	698	—	—	698
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(198)**	**—**	**—**	**(198)**	(376)	—	—	(376)
Derecognition against inventory	**—**	**—**	**(2,570)**	**(2,570)**	—	—	—	—
Balance at end of period	**$ 780**	**$ 280**	**$ 395**	**$ 1,455**	$ 1,424	$ —	$ 1,409	$ 2,833

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
Expected credit losses:								
Remeasurement	**269**	**727**	**1,925**	**2,921**	119	—	5,553	5,672
Transfer to/(from)								
Stage 1	**(68)**	**—**	**—**	**(68)**	—	—	—	—
Stage 2	**—**	**5**	**—**	**5**	—	(52)	—	(52)
Stage 3	**—**	**—**	**63**	**63**	—	—	52	52
Total expected credit losses	**615**	**732**	**9,346**	**10,693**	402	—	7,358	7,760
Fundings	**25**	**—**	**—**	**25**	58	—	—	58
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(80)**	**—**	**—**	**(80)**	(46)	—	—	(46)
Balance at end of period	**$ 560**	**$ 732**	**$ 9,346**	**$ 10,638**	$ 414	$ —	$ 7,358	$ 7,772

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
Expected credit losses:								
Remeasurement	**(364)**	**—**	**—**	**(364)**	(111)	—	—	(111)
Transfer to/(from)								
Stage 1	**—**	**—**	**—**	**—**	—	—	—	—
Stage 2	**—**	**—**	**—**	**—**	—	—	—	—
Stage 3	**—**	**—**	**—**	**—**	—	—	—	—
Total expected credit losses	**381**	**—**	**—**	**381**	787	—	—	787
Fundings	**—**	**—**	**—**	**—**	22	—	—	22
Gross Write-Offs	**—**	**—**	**—**	**—**	—	—	—	—
Recoveries	**—**	**—**	**—**	**—**	—	—	—	—
Discharges	**(44)**	**—**	**—**	**(44)**	(64)	—	—	(64)
Balance at end of period	**$ 337**	**$ —**	**$ —**	**$ 337**	$ 745	$ —	$ —	$ 745

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

Stage 3 loans:

1. $12.4 million net mortgage investment in a multi-family loan currently part of a CCAA process in Montreal.
   Status: In Q4 2023 the asset remained in Stage 3, however, a purchaser 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 borrowers have executed a forbearance agreement which includes the requirement for the borrowers to inject more equity into the project. The Company expects the loan to be performing in Q1 2024, including the Company being made current on its interest arrears. The Company ultimately expects full repayment of the loan.

2. $15.6 million net mortgage investment condo inventory exposure in Edmonton.
   Status: The Company is actively working to sell the remaining condo inventory. With the assumption that interest rates will start to decline in 2024, the Company anticipates sales activity to increase in 2024. The original inventory balance was $23.7 million.

3. $9.0 million net mortgage investment on a medical office building in Ottawa.
   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 exploring redevelopment potential with excess density and potentially targeting a sales process in the first half of 2024.

4. $38.5 million net mortgage investments in two office properties and one retail property with the same sponsor in Calgary
   Status: The Company continues to be in discussions with the sponsorship group to execute on a forbearance agreement along with potential plans for the near-term sale of one of the assets. The Company expects to have a more fulsome update with its Q1 2024 financial results.

Stage 2 loans:

1. $18.0 million net mortgage income producing multi-family loan in Edmonton.
   Status: The loan was extended in Q4 2023 for a seven 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. $15.4 million net mortgage investment relating to one income producing office asset in Calgary.
   Status: A forbearance agreement has been signed. Additional structure has been implemented which will see bullet repayments on the loan subject to other non-Calgary related asset sales (via equity pledges) of in 2024/2025.

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

	As at December 31, 2023				As at December 31, 2022			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	**$ 184,985**	**$ —**	**$ —**	**$ 184,985**	$ 117,051	$ —	$ —	$ 117,051
Medium-Low risk	**248,215**	**—**	**—**	**248,215**	324,592	—	—	324,592
Medium-High risk	**93,002**	**17,955**	**—**	**110,957**	194,748	—	—	194,748
High risk	**—**	**—**	**—**	**—**	2,425	—	—	2,425
Default	**—**	**—**	**12,431**	**12,431**	—	—	72,406	72,406
Net	**526,202**	**17,955**	**12,431**	**556,588**	638,816	—	72,406	711,222
Expected credit losses	**780**	**280**	**395**	**1,455**	1,424	—	1,409	2,833
Mortgage investments[1]	**525,422**	**17,675**	**12,036**	**555,133**	637,392	—	70,997	708,389
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	**39,213**	**—**	**—**	**39,213**	107,417	—	—	107,417
Medium-Low risk	**178,835**	**—**	**—**	**178,835**	233,874	—	—	233,874
Medium-High risk	**99,616**	**15,357**	**—**	**114,973**	116,329	—	—	116,329
High risk	**—**	**—**	**—**	**—**	—	—	—	—
Default	**—**	**—**	**65,641**	**65,641**	—	—	32,227	32,227
Net	**317,664**	**15,357**	**65,641**	**398,662**	457,620	—	32,227	489,847
Expected credit losses	**560**	**732**	**9,346**	**10,638**	414	—	7,358	7,772
Mortgage investments[1]	**317,104**	**14,625**	**56,295**	**388,024**	457,206	—	24,869	482,075
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	**—**	**—**	**—**	**—**	—	—	—	—
Medium-Low risk	**—**	**—**	**—**	**—**	—	—	—	—
Medium-High risk	**—**	**—**	**—**	**—**	—	—	—	—
High risk	**47,399**	**—**	**—**	**47,399**	60,742	—	—	60,742
Default	**—**	**—**	**—**	**—**	—	—	—	—
Net	**47,399**	**—**	**—**	**47,399**	60,742	—	—	60,742
Expected credit losses	**337**	**—**	**—**	**337**	745	—	—	745
Other loan Investments[1]	**$ 47,062**	**$ —**	**$ —**	**$ 47,062**	$ 59,997	$ —	$ —	$ 59,997

[1] Net of mortgage syndications.

Enhanced return portfolio

As at	December 31, 2023	December 31, 2022
Other loan investments, net of expected credit loss	**$ 47,033**	$ 59,956
Finance lease receivable, measured at amortized cost	**6,020**	6,020
Investment in participating debentures, measured at FVTPL	**4,380**	4,744
Investment in equity instrument, measured at FVTPL	**3,000**	—
Joint venture investment in indirect real estate development	**2,225**	2,225
Total Enhanced Return Portfolio	**$ 62,658**	$ 72,945

As at December 31, 2023, the Company held $47.0 million in other loan investments, net of expected 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 Consolidated Financial Statements for the years ended December 31, 2023, and 2022.

As at December 31, 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 $4.4 million or €3.0 million (December 31, 2022 – $4.7 million or €3.3 million).

As at December 31, 2023, the Company invested in equity instrument of Timbercreek Mortgage Servicing Inc. ("TMSI") totaling $3.0 million (December 31, 2022 – nil).

As at December 31, 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 December 31, 2023, the Company has land inventory of $30.6 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 ECL 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 December 31, 2023, the Company has real estate properties inventory of $131.0 million (December 31, 2022 – nil), which is recorded as the lower of cost and net realizable value.

As at		December 31, 2023		December 31, 2022
Real Estate Inventory	$	**130,987**	$	—
Real Estate Inventory Collateral Liability	$	**(69,008)**	$	—
Real Estate Inventory, net of collateral liability	$	**61,979**	$	—

Credit facility

As at	December 31, 2023	December 31, 2022
Credit facility	$ **260,000**	$ 451,000
Unamortized financing costs	**(296)**	(653)
Credit facility, end of period	$ **259,704**	$ 450,347

As of December 31, 2023, the Company has an aggregate credit limit of $600.0 million on its credit facility. The facility is secured by a general security agreement over the Company's assets. The credit facility agreement has a maturity date of February 10, 2024.

The interest rates and fees of the Tenth 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 December 31, 2023, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the Tenth Amending Credit Agreement is $369.5 million.

Subsequent to year end, the credit facility was renewed on February 8, 2024, the Company entered into an amendment and restatement to its existing credit facility agreement ("Third Amended and Restated Credit Agreement") in order to, among other things, extend the maturity date to February 8, 2026, decrease the aggregate credit limit to $510,000 and reinstate accordion feature to $100,000. The interest rates of the Third Amended and Restated Credit Agreement are either at the prime rate of interest plus 1.25% per annum or term CORRA at 2.25% per annum. All other general terms of the credit facility remain unchanged.

During Q4 2023 and 2023, the Company incurred financing costs of $462 and $0.6 million (Q4 2022 – nil; 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.

Convertible debentures

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

Series	Ticker	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price per share	Equity Component	December 31, 2023	December 31, 2022
June 2017 Debentures	TF.DB.C	5.30 %	June 30, 2024	June 30 and December 31	$ 11.10	$ 560	$ **45,000**	$ 45,000
July 2021 Debentures	TF.DB.D	5.25 %	July 31, 2028	January 31 and July 31	11.40	1,107	**55,000**	55,000
December 2021 Debentures	TF.DB.E	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							**(5,155)**	(6,580)
Debentures, end of period							$ **140,845**	$ 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:

	Year ended December 31,	
	2023	**2022**
Interest on the convertible debentures	**$ 7,572**	$ 7,562
Amortization of issue costs and accretion of the convertible debentures	**1,426**	1,460
Total	**$ 8,998**	$ 9,022

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 are 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 Company may also elect to redeem debentures by issuing common shares at a 5% premium to prevailing market price at the date of redemption.

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. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to prevailing market price at the date of redemption.

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 Company may also elect to redeem debentures by issuing common shares at a 5% premium to prevailing market price at the date of redemption.

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

SHAREHOLDERS' EQUITY

Common shares

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

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

On June 10, 2021, the Company filed a 25-month period base shelf prospectus in all provinces and territories of Canada which allows the Company to offer and issue common shares, debt securities, subscription receipts, warrants, and units (collectively, the "Securities") from time to time up to an aggregate offering price of $500.0 million. The base shelf prospectus expired on July 10, 2023.

The changes in the number of common shares were as follows:	Year ended December 31,	
	2023	**2022**
Balance, beginning of year	**83,887,516**	82,219,602
Issuance of common shares	**—**	1,504,300
Common shares issued under dividend reinvestment plan	**801,704**	641,944
Common shares repurchased for dividend reinvestment plan	**(801,704)**	(360,830)
Common shares repurchased under normal course issuer bid	**(878,000)**	(117,500)
Balance, end of year	**83,009,516**	83,887,516

(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 Q4 2023 and 2023, the Company did not issue any common shares under the ATM program.

During Q4 2022, the Company did not issue any common shares under the ATM program. During 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 Q4 2023 and 2023, the Company purchased from the open market 229,153 and 801,704 common shares (Q4 2022 – 192,271; 2022 – 360,830) for total amount of $1.5 million and $6.0 million (Q4 2022 – $1.4 million; 2022 – $2.8 million) at an average price of $6.69 and $7.43 (Q4 2022 – $7.52; 2022 – $7.89) per common share.

During Q4 2023 and 2023, the company did not issue common shares from treasury. During Q4 2022 and 2022, the Company issued from treasury nil and 281,114 common shares and retained nil and $2.6 million in dividends at an average price of $9.08 per common share.

(c) Dividends to holders of common shares

The Company intends to pay dividends to holders of common shares monthly within 15 days following the end of each month. During Q4 2023 and 2023, the Company declared dividends of $14.3 million or $0.1725 per share and $57.6 million or $0.69 per share (Q4 2022 – $14.5 million or $0.1725 per share and 2022 – $57.7 million or $0.69 per share).

As at December 31, 2023, $4.7 million in aggregate dividends (December 31, 2022 – $4.8 million) were payable to the holders of common shares by the Company. Subsequent to December 31, 2023, the Board of Directors of the Company declared dividends of $0.0575 per share to be paid on January 15, 2024 to the common shareholders of record on December 31, 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 Q4 2023 and 2023, the Company repurchased 332,600 and 878,000 common shares (Q4 2022 – 107,500 and 2022 – 117,500) for a total amount of $2.2 million and $6.2 million (Q4 2022 – $0.8 million and 2022 – $0.8 million). The average price per common share repurchased was $6.53 and $7.09 (Q4 2022 – $7.16 and 2022 – $7.20).

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 are credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value.

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

During Q4 2023 and 2023, 10,273 and 39,022 units were issued (Q4 2022 – 8,452 and 2022 – 36,704 units) and as at December 31, 2023, 138,059 units were outstanding (December 31, 2022 – 99,037 units). During Q4 2023 and 2023, no DSUs were exercised (Q4 2022 – nil and 2022 – 82,807 units).

DSU expense for Q4 2023 and 2023 was $102 and $397 (2022 – $102 and $377). The units related to Q4 Director's compensation will be issued subsequent to December 31, 2023.

STATEMENT OF CASH FLOWS

Cash from operating activities

Cash from operating activities for Q4 2023 and 2023 was $25.0 million and $90.2 million (Q4 2022 – $30.1 million; 2022 – $83.2 million).

Cash used in financing activities

The net cash used in financing activities for Q4 2023 was $173.2 million and net cash used in 2023 was $291.4 million (net cash used in Q4 2022 – $89.4 million and net cash used in 2022 – $42.5 million).

During the quarter, cash used in financing activities for Q4 2023 consisted of net repayments on the credit facility of $145.1 million (Q4 2022 – $64.0 million net repayments). The Company paid interest on the debentures and credit facility of $11.6 million (Q4 2022 – $9.9 million). The Company paid common share dividends of $12.8 million (Q4 2022 – $13.0 million). The company repurchased shares on the open market under the NCIB and DRIP programs of $3.7 million (Q4 2022 – $2.2 million).

During the year, cash used in financing activities in 2023 consisted of the Company's net repayments on the credit facility of $191.0 million (2022 – $31.0 million net draws). The Company paid interest on the debentures and credit facility of $36.5 million (2022 – $31.6 million). The company did not issue any common shares in 2023 (2022 – $14.1 million) The Company paid common share dividends of $51.7 million (2022 – $52.2 million). The Company repurchased shares on the open market under the NCIB and DRIP programs of $12.2 million (2022 – $3.7 million).

Cash from (used in) investing activities

The net cash from investing activities was $119.9 million for Q4 2023 and $203.2 million in 2023 (net cash received in Q4 2022 – $60.2 million; net cash used in 2022 – $44.2 million).

During the quarter, net cash from investing activities for Q4 2023 consisted of the Company's funding of net mortgage investments of $90.0 million (Q4 2022 – $144.6 million). The Company received cash from discharge of net mortgage investments of $212.9 million (Q4 2022 – $206.2 million). The Company funded other investments of $3.0 million (Q4 2022 – $1.4 million). The Company received cash from repayments of other investments $30 (Q4 2022 – $202). The Company paid cash on maturity of currency forward hedging contracts of $18 (Q4 2022 – paid cash of $265).

During the year, net cash from investing activities for 2023 consisted of the Company's funding of net mortgage investments of $360.6 million (2022 – $746.6 million). The Company received cash from discharge of net mortgage investments of $552.6 million (2022 – $693.5 million). The Company funded other investments of $3.8 million (2022 – $9.5 million). The Company received cash proceeds from repayments of other investments of $14.7 million (2022– $10.8 million). The Company received cash of $1.0 million relating to distribution from investment in participating debentures, measured at FVTPL (2022 – nil). The company received final distribution cash of $63 from investment properties (2022 - $7.5 million). The Company paid cash on maturity of currency forward hedging contracts of $0.6 million (2022 – $94).

QUARTERLY FINANCIAL INFORMATION

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

NET INCOME AND COMPREHENSIVE INCOME	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net Investment Income on financial assets measured at amortized cost	**$29,722**	$30,303	$31,471	$32,709	$31,342	$29,982	$25,802	$22,677
Fair value gain (loss) and other income on financial assets measured at FVTPL	**463**	231	306	282	736	403	352	(103)
Fair value gain / (loss) on real estate properties	**—**	—	—	63	82	—	(378)	—
Net rental income (loss)	**327**	(270)	(293)	(359)	(278)	(291)	36	382
Expenses	**(5,443)**	(4,115)	(5,139)	(4,443)	(6,671)	(7,530)	(4,150)	(4,241)
Income from operations	**25,069**	26,149	26,345	28,252	25,211	22,564	21,662	18,715
Financing costs:								
Financing cost on credit facilities	**(7,846)**	(7,444)	(7,208)	(7,898)	(8,137)	(6,788)	(4,749)	(3,560)
Financing cost on debentures	**(2,249)**	(2,250)	(2,249)	(2,250)	(2,260)	(2,256)	(2,233)	(2,273)
Net income and comprehensive income	**14,974**	$16,455	$16,888	$18,104	$14,814	$13,520	$14,680	$12,882
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME								
Net income and comprehensive income	**$14,974**	$16,455	$16,888	$18,104	$14,814	$13,520	$14,680	$12,882
Add: net unrealized loss (gain) on financial assets measured at FVTPL	**(292)**	(61)	68	(57)	(122)	369	377	946
Add: net unrealized loss on real estate properties	**—**	—	—	—	—	—	95	—
Adjusted net income and comprehensive income[1]	**$14,681**	$16,394	$16,956,	$18,047	$14,692	$13,889	$15,152	$13,828
PER SHARE INFORMATION								
Dividends per share	**$ 0.17**	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17
Earnings per share (basic)	**$ 0.18**	$ 0.20	$ 0.20	$ 0.22	$ 0.18	$ 0.16	$ 0.17	$ 0.16
Earnings per share (diluted)	**$ 0.18**	$ 0.19	$ 0.20	$ 0.21	$ 0.18	$ 0.16	$ 0.17	$ 0.16
Adjusted earnings per share (basic)[1]	**$ 0.18**	$ 0.20	$ 0.20	$ 0.21	$ 0.17	$ 0.17	$ 0.18	$ 0.17
Adjusted earnings per share (diluted)[1]	**$ 0.18**	$ 0.19	$ 0.20	$ 0.21	$ 0.17	$ 0.17	$ 0.18	$ 0.17
Distributable income and adjusted distributable income per share[1]	**$ 0.21**	$ 0.20	$ 0.21	$ 0.22	$ 0.22	$ 0.20	$ 0.19	$ 0.18

[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.

RELATED PARTY TRANSACTIONS

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

(a) As at December 31, 2023, Due to Manager consists of management and servicing fees payable of $1.0 million (December 31, 2022 – $1.1 million).

(b) During Q4 2023 and 2023, Arrangement Fees of $299 and $0.8 million paid by borrower were retained by the Manager (Q4 2022 – $202 and 2022 – $0.8 million).

(c) As at December 31, 2023, included in other assets is $3.2 million (December 31, 2022 – $6.1 million) of cash held in trust by TMSI, the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage and other loan funding holdbacks, repayments and prepaid mortgage interest received from various borrowers.

(d) During 2023 the Company advanced $3,000 to TMSI in exchange for 300,000 non-voting shares in order to fund TMSI's capital requirements necessary to service the Company's mortgage portfolio.

(e) As at December 31, 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 Q4 2023 and 2023, the Company has recognized net interest income of $199 and $0.8 million (2022 – $163 and $0.5 million).

(f) As at December 31, 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 $34.6 million (December 31, 2022 – $35.5 million). The Company's share in these mortgage investments is $10.3 million (December 31, 2022 – $10.5 million).

(g) As at December 31, 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 $4.4 million or €3.0 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.

(h) As at December 31, 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 $22.8 million (December 31, 2022 – $20.0 million). The Company's share in this mortgage investment is $11.4 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. As of December 31, 2023 there are no provisions recognized.

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.

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 share of the outstanding principal until September 26, 2023. The Company is no longer a guarantor on the aforementioned credit facility as of December 31, 2023.

In one syndicated mortgage participation agreement, an option is provided to the third-party lender to sell their senior position of $35.1 million back to the Company, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's consolidated financial statements, Timbercreek Capital Inc. (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, that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements.

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 Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

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

Financial Statement Note 4 – Mortgage and other loan investments, including mortgage syndications; and
Financial Statement Note 18 – Fair value measurements.

Measurement of expected credit loss

The determination of the expected credit loss takes into account different factors and varies by nature of investment. These judgements 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 expected credit loss. The Company exercises significant credit judgement 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 Financial Statement note 4(d).

Syndication liabilities

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

Classification of mortgage and other loan 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 judgement 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 measured 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 including assumptions around zoning and permitting of said lands and has applied a probability to each scenario. In determining the net realizable value of real estate properties inventory, the Company estimates the selling prices based on the direct capitalization method using assumptions based on market comparables as well as probabilities surrounding assumptions on ultimate disposal of the asset. In determining the net realizable value of the properties, the Company also considers relevant selling costs in the ultimate disposal of the properties.

MATERIAL ACCOUNTING POLICIES

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

OUTSTANDING SHARE DATA

As at February 26, 2024, the Company's authorized capital consists of an unlimited number of common shares, of which 83,009,516 are issued and outstanding.

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 ("DC&P") and Internal Controls over Financial Reporting ("ICFR"), as those terms are defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), to provide reasonable assurance that all material information relating to the Company that is required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis and within the time period specified in securities legislation, and have designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and the CFO have evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of DC&P and ICFR. As a result of this evaluation, Management has concluded that as of December 31, 2023, the design and operation of the Company's DC&P and ICFR were effective.

No changes were made in the design of ICFR during the period ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR

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.

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 $510.0 million through its renewed credit facility and it intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at December 31, 2023, the Company's qualified credit facility limit is subject to a borrowing base as defined in the Tenth Amending Credit Agreement, which is $369.5 million. Pursuant to the terms of the credit facility renewal, the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum adjusted shareholders' equity, maximum non-debenture indebtedness to adjusted shareholders' equity and maximum consolidated debt to total assets. As at September 30, 2023, the Company did not meet the minimum adjusted shareholder's equity covenant under its existing credit facility due to increased exposure in non-performing mortgages and on October 6, 2023 obtained a waiver of such default. There is a risk that further increases in exposure to non-performing mortgages could require repayment of advances under the credit facility as a result of reductions to the borrowing base or the minimum adjusted shareholders' equity covenant no longer being achieved. As at December 31, 2023, the Company is in compliance with its credit facility's covenants.

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

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at December 31, 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	$ 4,644	$ 4,644	$ 4,644	$ —	$ —	$ —
Dividends payable	4,742	4,742	4,742	—	—	—
Due to Manager	1,005	1,005	1,005	—	—	—
Mortgage and other loans funding holdbacks	2,029	2,029	2,029	—	—	—
Prepaid mortgage and other loans interest	1,217	1,217	1,217	—	—	—
Credit facility[1]	259,704	262,168	262,168	—	—	—
Real estate inventory collateral liability	69,008	69,008	69,008	—	—	—
Convertible debentures[2]	140,845	171,927	51,380	5,188	115,359	—
	$ 483,194	$ 516,740	$ 396,193	$ 5,188	$ 115,359	$ —
Unadvanced mortgage commitments[3]	—	383,884	383,884	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities[4]	$ 483,194	$ 900,624	$ 780,077	$ 5,188	$ 115,359	$ —

[1] Credit facility includes interest based upon December 2023 interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on February 10, 2024. Subsequent to year end, the Company has extended its credit facility agreement by two years maturing on February 8, 2026.

[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 $240.1 million belong to the Company's syndicated partners.

[4] The principal repayments of $600.0 million mortgage syndication liabilities by contractual maturity date is shown net with mortgage investments.

As at December 31, 2023, the Company had a cash position of $4.8 million (December 31, 2022 – $2.8 million) and an unutilized credit facility balance of $109.5 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.

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 December 31, 2023, $921.9 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 December 31, 2023, $855.6 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 for the next 12 months would be a decrease in net income of $3.3 million (December 31, 2022 – 0.50% and $5.7 million) or an increase in net income of $4.5 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 December 31, 2023, net exposure to interest rate risk was $260.0 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 and comprehensive income for the next 12 months by $1.3 million (December 31, 2022 – $2.3 million per 0.50% decrease or increase in interest rates).

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

Currency risk

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

As at December 31, 2023, the Company has US$7.5 million and €3.0 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 December 31, 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 matured in January 2024. The Company also has one Euro currency contract with an aggregate notional value of €3.0 million at a contract rate of 1.4674, that matures in March 2024.

The fair value of the foreign currency forward contracts as at December 31, 2023 is an asset of $21 which is included in other assets. The valuation of the foreign currency forward contracts was computed using Level 2 inputs which include spot and forward foreign exchange rates.

Credit risk

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

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

The exposure to credit risk at December 31, 2023 relating to net mortgages and other investments amount to $1,024.8 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 relating to real estate inventory.

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.

SUBSEQUENT EVENTS

The following are events that occurred subsequent to December 31, 2023:

Credit Facility Renewal

On February 8, 2024, the Company entered into an amendment and restatement to its existing credit facility agreement ("Third Amended and Restated Credit Agreement") in order to, among other things, extend the maturity date to February 8, 2026, decrease the aggregate credit limit to $510.0 million and reinstate accordion feature to $100.0 million. The interest rates of the Third Amended and Restated Credit Agreement are either at the prime rate of interest plus 1.25% per annum or term CORRA at 2.25% per annum. All other general terms of the credit facility remain unchanged. As at December 31, 2023, the Company's qualified credit facility limit calculated using the terms of the Third Amended and Restated Credit Agreement is $365.8 million.

Sale of Groupe Huot Assets

On December 7, 2023, the Company announced the official sale of the portfolio of seven multi-family, Stage 3 loans in Quebec. These loans, representing a balance of $124.9 million, were fully repaid in January 2024 with Timbercreek recovering all principal and accrued interest. As a result the associated expected credit loss of $1.6 million was fully reversed in Q4 2023.

Special Dividend

In light of the strong full-year income results, and in addition to paying 69 cents per share in dividends through the year, the Company has authorized a special dividend of 5.75 cents per share, for shareholders of record as at March 5, 2024. The special dividend will be paid on March 11, 2024. The dividend equates to $4.8 million of additional payout to shareholders. The balance of undistributed income is reflected in the Company's book value per share (shareholders' equity divided by number of shares outstanding), ending at $8.45 for the year (before payment of special dividend expected in March 2024) versus $8.33 at the end of 2022.

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. These common shares can be purchased from the open market at the prevailing market price or from treasury 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.sedarplus.ca; or the Company's website at www.timbercreekfinancial.com

Mail

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

Consolidated Financial Statements of

TIMBERCREEK FINANCIAL

For the year ended December 31, 2023 and 2022

TIMBERCREEK
FINANCIAL

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Timbercreek Financial Corp.,

Opinion

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

- the consolidated statements of financial position as at December 31, 2023, and December 31, 2022
- the consolidated statements of net income and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

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

Description of the matter

We draw attention to Note 2(d), Note 3(b) and Note 4(d) of the financial statements. The Entity has recorded an allowance for expected credit losses on mortgage and other loan investments classified at amortized cost ("Debt Investments") of $12.4 million.

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

Expected credit losses for credit impaired Debt Investments are recorded for individually identified credit impaired Debt Investments to reduce their carrying value to the probability-weighted expected recoverable amount based on the estimated future cash flows discounted at the Debt Investment's original effective interest rate. The significant assumptions include the capitalization rates and comparable transactions.

The Entity exercises significant credit judgment in the determination of a significant increase in credit risk since initial recognition, credit impairment of Debt Investments and expected recoverable amount of credit impaired Debt Investments.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

For a selection of credit impaired Debt Investments, we assessed the recoverable amount by comparing the capitalization rates and comparable transactions assumptions to reports of real estate commentators and available industry transaction databases, considering the features of the specific property.

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

- evaluating the expected credit loss model methodology including the assessment of the Entity’s definition of significant increase in credit risk and of credit impairment, in accordance with relevant accounting standards
- assessing the probability-weighting and assessing expected cash shortfalls by comparing to publicly available information

- evaluating the capitalization rates and comparable transactions assumptions by comparing to reports of real estate commentators and available industry transaction databases, considering the features of the specific property for a selection of credit impaired Debt Investments.

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

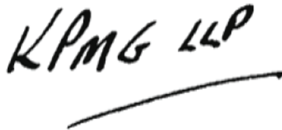
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Thomas Rothfischer.

Toronto, Canada

February 26, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars)

	Note	December 31, 2023	December 31, 2022
ASSETS			
Cash		**$ 4,802**	$ 2,832
Other assets	14(c)	**11,821**	9,511
Real estate inventory	5	**161,564**	30,245
Mortgage investments, including mortgage syndications	4	**1,545,112**	1,800,506
Other investments	4(e)	**62,658**	72,945
Total assets		**$ 1,785,957**	$ 1,916,039
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses		**4,644**	4,450
Dividends payable	8(c)	**4,742**	4,824
Due to Manager	14(a)	**1,005**	1,098
Mortgage and other loans funding holdbacks	14(c)	**2,029**	1,345
Prepaid mortgage and other loans interest	14(c)	**1,217**	4,721
Credit facility	6	**259,704**	450,347
Mortgage syndication liabilities	4(a)(c)	**601,624**	611,291
Real estate inventory collateral liability	5	**69,008**	—
Convertible debentures	7	**140,845**	139,420
Total liabilities		**1,084,818**	1,217,496
Shareholders' equity	8	**701,139**	698,543
Total liabilities and equity		**$ 1,785,957**	$ 1,916,039
Commitments and contingencies	4, 6 and 20		
Subsequent events	4, 6, 8(c) and 21		

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

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

	Note	Year ended December 31, 2023	2022
Investment income on financial assets measured at amortized cost			
Gross interest and other income, including mortgage syndications		$ **174,985**	$ 147,263
Interest and other expenses on mortgage syndications		**(50,780)**	(37,460)
Net investment income on financial assets measured at amortized cost	4(b)(e)	**124,205**	109,803
Fair value gain and other income on financial assets measured at FVTPL	4(a)(e)	**1,282**	1,388
Total income on financial assets		**125,487**	111,191
Income on real estate properties			
Revenue from real estate properties		**5,986**	1,379
Property operating costs		**(5,692)**	(1,530)
Expense on real estate inventory collateral liability		**(889)**	—
Net rental loss	5	**(595)**	(151)
Fair value gain (loss) on real estate properties		**63**	(296)
Total loss on real estate properties		**(532)**	(447)
Expenses			
Management fees	10	**11,842**	12,230
Servicing fees	10	**735**	771
Expected credit loss	4(d)	**3,649**	7,482
General and administrative		**2,914**	2,109
Total expenses		**19,140**	22,592
Income from operations		**105,815**	88,152
Financing costs			
Financing cost on credit facilities	6	**30,396**	23,234
Financing cost on convertible debentures	7	**8,998**	9,022
Total financing costs		**39,394**	32,256
Net income and comprehensive income		$ **66,421**	$ 55,896
Earnings per share			
Basic	11	$ **0.80**	$ 0.67
Diluted	11	$ **0.78**	$ 0.67

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars)

Year ended December 31, 2023	Common shares	Deficiency	Equity component of convertible debentures	Total
Balance, December 31, 2022	$ 739,162	$ (45,069)	$ 4,450	$ 698,543
Repurchase of common shares under normal course issuer bid	(6,222)	—	—	(6,222)
Dividends declared to shareholders	—	(57,603)	—	(57,603)
Issuance of common shares under dividend reinvestment plan	5,959	—	—	5,959
Repurchase of common shares for dividend reinvestment plan	(5,959)	—	—	(5,959)
Total net income and comprehensive income	—	66,421	—	66,421
Balance, December 31, 2023	$ 732,940	$ (36,251)	$ 4,450	$ 701,139

Year ended December 31, 2022	Common shares	Deficiency	Equity component of convertible debentures	Total
Balance, December 31, 2021	$ 723,377	$ (43,244)	$ 4,450	$ 684,583
Issuance of common shares, net of issue costs	14,077	—	—	14,077
Repurchase of common shares under normal course issuer bid	(846)	—	—	(846)
Dividends declared to shareholders	—	(57,721)	—	(57,721)
Issuance of common shares under dividend reinvestment plan	5,401	—	—	5,401
Repurchase of common shares for dividend reinvestment plan	(2,847)	—	—	(2,847)
Total net income and comprehensive income	—	55,896	—	55,896
Balance, December 31, 2022	$ 739,162	$ (45,069)	$ 4,450	$ 698,543

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands of Canadian dollars)

	Note	Year ended December 31, 2023	2022
OPERATING ACTIVITIES			
Net income		**$ 66,421**	$ 55,896
Amortization of lender fees		**(8,279)**	(8,726)
Lender fees received		**5,997**	8,210
Interest income, net of syndications		**(115,647)**	(103,312)
Interest income received, net of syndications		**102,300**	90,928
Financing costs		**39,394**	32,256
Fair value (gain) loss and interest income on financial assets measured at FVTPL		**(1,191)**	1,012
Interest received from financial assets measured at FVTPL		**661**	—
Fair value (gain) loss on real estate properties		**(63)**	363
Net additions to real estate inventory		**(333)**	(270)
Net realized and unrealized foreign exchange gain		**(15)**	(144)
Expected credit loss		**3,649**	7,483
Net change in non-cash operating items	12	**(2,708)**	(525)
		90,186	83,171
FINANCING ACTIVITIES			
Net credit facility (repayments) draws		**(191,000)**	31,001
Net proceeds from issuance of common shares		**—**	14,079
Interest and financing costs paid		**(36,482)**	(31,616)
Dividends paid to shareholders		**(51,726)**	(52,224)
Repurchase of common shares		**(12,181)**	(3,693)
		(291,389)	(42,453)
INVESTING ACTIVITIES			
Distribution from financial assets measured at FVTPL		**981**	—
Net proceeds from investment properties		**63**	7,510
Net (payments) receipts on maturity of forward contracts		**(556)**	94
Funding of other investments		**(3,823)**	(9,525)
Proceeds from other investments		**14,658**	10,786
Funding of mortgage investments, net of syndications		**(360,636)**	(746,589)
Discharges of mortgage investments, net of syndications		**552,557**	693,544
		203,244	(44,180)
Increase (decrease) in cash		**2,041**	(3,462)
Net foreign exchange loss on cash accounts		**(71)**	(50)
Cash, beginning of period		**2,832**	6,344
Cash, end of period		**$ 4,802**	$ 2,832

The accompanying notes are an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

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

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

These consolidated financial statements were approved for issuance by the Company's Board of Directors on February 26, 2024.

(b) Principles of consolidation

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

(c) Basis of measurement

These consolidated financial statements have been prepared on both a going concern and the historical cost basis except for certain items which have been measured at fair value through profit or loss ("FVTPL") at each reporting date and include: debt investments not meeting the solely payments of principal and interest criterion, investment in participating debentures, investment in equity instrument and foreign currency forward contracts.

(d) Critical accounting estimates, assumptions and judgements

In the preparation of the Company's consolidated financial statements, Timbercreek Capital Inc. (the "Manager"), 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, that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements.

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 Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

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

Note 4 – Mortgage and other loan investments, including mortgage syndications; and
Note 18 – Fair value measurements.

Measurement of expected credit loss

The determination of the expected credit loss takes into account different factors and varies by nature of investment. These judgements 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 expected credit loss. The Company exercises significant credit judgement in the determination of a significant increase in credit risk since initial recognition, credit impairment of debt investments and expected recoverable amount of credit impaired debt investments. Refer to note 4(d).

Syndication liabilities

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

Classification of mortgage and other loan 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 judgement 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 measured 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 including assumptions around zoning and permitting of said lands and has applied a probability to each scenario. In determining the net realizable value of real estate properties inventory, the Company estimates the selling prices based on the direct capitalization method using assumptions based on market comparables as well as probabilities surrounding assumptions on ultimate disposal of the asset. In determining the net realizable value of the properties, the Company also considers relevant selling costs in the ultimate disposal of the properties.

(e) Functional and Presentation Currency

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

3. MATERIAL ACCOUNTING POLICIES

(a) Cash and cash equivalents

As at December 31, 2023 and December 31, 2022, the Company did not hold any cash equivalents.

(b) Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement - financial assets

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

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

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

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

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

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

The Company has no debt investments measured at FVOCI.

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

Financial assets - Business model assessment

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

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

The Company’s mortgage and loan investments portfolio has a hold-to-collect business model. The objective of the business model for these financial instruments is to collect the amounts due from the Company’s borrowers and to earn contractual interest income and lender fees on the amounts collected.

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

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

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

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

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

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

Subsequent measurement and gains and losses - financial assets

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

Classification, subsequent measurement and gains and losses - financial liabilities

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

Impairment of financial assets

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

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

- Investments secured by income producing properties - borrower or guarantor’s financial position, change in market conditions, deterioration in cash flows due to vacancy, rental rates or increased operating costs, property conditions, loss of major tenants, and change in execution of business plan.
- Investments secured by construction type of properties - borrower or guarantor’s financial position, change in market conditions, property conditions, material cost-to-complete concerns, delays or changes in execution of business plan.
- Investments secured by unimproved and improved land - borrower or guarantor’s financial position, change in market conditions, change in execution of business plan, adverse zoning change.

The Company assumes the credit risk on a financial asset has increased significantly since initial recognition,

- if the interest payment is more than 30 days past due, or
- if the maturity date is more than 30 days past due, and/or
- borrower or underlying security criteria as identified by the Manager has deteriorated.

As typical in shorter duration structured financing, the Manager does not solely believe there has been a significant increase in credit risk if a mortgage or other loan investment goes into an overhold position past the maturity date for a period greater than 30 days, but less than 90 days. The Manager actively monitors these mortgage and other loan investments and applies judgement in determining whether there has been a significant increase in credit risk. The Company considers a financial asset to be credit impaired when:

- the interest payment is more than 90 days past due, or
- if the maturity date is more than 90 days past due and/or when the Company has commenced enforcement remedies available to it under its contractual agreements, 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/or interest.

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

In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a mortgage or other loan investment. Modifications may include payment deferrals, extension of amortization periods, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Company determines the appropriate remediation strategy based on the individual borrower.

If the Company determines that a modification results in derecognition, the original asset is derecognized while a new asset is recognized based on the new contractual terms. In this case, significant increase in credit risk of the new asset is subsequently assessed relative to the risk of default on the date of modification.

If the Company determines that a modification does not result in derecognition, significant increase in credit risk is subsequently assessed based on the risk of default at initial recognition of the original asset.

Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset.

For mortgage and other loan investments that were modified while having a lifetime ECL, the mortgage and other loan investments can revert to having 12-month ECL after a period of performance and improvement in investment specific factors.

Measurement of Expected for Credit Loss ("ECL") - non credit impaired financial assets

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

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

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

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

Measurement of ECL - credit impaired financial assets

ECL for Stage 3 are recorded for individually identified credit impaired mortgage and other loan investments to reduce their carrying value to the probability-weighted expected recoverable amount. The capitalization rates and comparable transactions are significant assumptions. We review our mortgage and other loan investments on an ongoing basis to assess whether any mortgage and other loan investment carried at amortized cost should be classified as credit impaired and whether an allowance or write-off should be recorded.

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

Presentation of allowance for ECL in the statement of financial position

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

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

(c) Real Estate Inventory

Real estate inventory includes land inventory and real estate properties inventory that will be sold by the Company and are measured at the lower of cost and net realizable value. Impairment is reviewed at each reporting date, with any losses recognized in net income when the carrying value of the inventory exceeds its net realizable value. The net realizable value is defined as the entity-specific future selling price in the ordinary course of business less estimated costs of completion, if any, and selling costs.

(d) Convertible debentures

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

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

(e) Gross interest and other income

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

(f) Leases

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

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

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

(g) Derecognition of financial assets and liabilities

Financial assets - syndications

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

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

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

Financial assets - modifications

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

Financial liabilities

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

(h) Foreign currency forward contract and interest rate swap

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

(i) Income taxes

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

(j) Changes in material accounting policies

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

The Company adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)* from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The key amendments include:

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

Management reviewed the accounting policies and made updates to the information disclosed in note 3 Material accounting policies (2022 - Significant accounting policies) in certain instances in line with the amendments.

4. MORTGAGE AND OTHER INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

(a) Mortgage investments

As at December 31, 2023	Note		Mortgages, including mortgage syndications		Mortgage syndication liabilities		Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost	4(b)(c)	$	**1,540,678**	$	**(599,956)**	$	**940,722**
Interest receivable			**18,846**		**(4,318)**		**14,528**
			1,559,524		**(604,274)**		**955,250**
Unamortized lender fees			**(7,876)**		**2,650**		**(5,226)**
Allowance for ECL	4(d)		**(12,093)**		**—**		**(12,093)**
Mortgage investments at amortized cost			**1,539,555**		**(601,624)**		**937,931**
Mortgage investments at FVTPL			**5,500**		**—**		**5,500**
Interest receivable			**57**		**—**		**57**
Mortgage investments at FVTPL			**5,557**		**—**		**5,557**
Mortgage investments, including mortgage syndications		$	**1,545,112**	$	**(601,624)**	$	**943,488**
Unadvanced mortgage commitments		$	**383,884**	$	**240,093**	$	**143,791**

As at December 31, 2022		Mortgages, including mortgage syndications		Mortgage syndication liabilities		Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost	$	1,799,321	$	(609,012)	$	1,190,309
Interest receivable		14,694		(3,934)		10,760
		1,814,015		(612,946)		1,201,069
Unamortized lender fees		(8,456)		1,655		(6,801)
Allowance for ECL		(10,605)		—		(10,605)
Mortgage investments at amortized cost		1,794,954		(611,291)		1,183,663
Mortgage investments at FVTPL		5,500		—		5,500
Interest receivable		52		—		52
Mortgage investments at FVTPL		5,552		—		5,552
Mortgage investments, including mortgage syndications	$	1,800,506	$	(611,291)	$	1,189,215
Unadvanced mortgage commitments	$	293,386	$	144,627	$	148,759

Mortgages classified at FVTPL

The Company holds a vendor-take-back mortgage classified at FVTPL with a contractual value of $6,500 and an estimated fair value of $5,500. For the year ended December 31, 2023, the Company generated net interest income and other income on net mortgage investments measured at FVTPL of $666 (2022 – $2,400).

The Company continues to measure its FVTPL assets using the direct comparison method, comparing the assets to directly comparable properties and has not recorded any fair value adjustments during the year (2022 – fair value loss of $1,402).

The changes on net mortgage investments measured at FVTPL are as follows:

Mortgage investments, measured at FVTPL	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance, beginning of year	**$ 5,500**	$ 51,474
Funding	**—**	5,734
Discharges	**—**	(20,331)
Transfer to real estate inventory	**—**	(29,975)
Fair value loss	**—**	(1,402)
Balance, end of year	**$ 5,500**	$ 5,500

(b) Net mortgage investments

As at	December 31, 2023		December 31, 2022	
Interest in first mortgages	**88.9 % $**	**841,264**	92.4 % $	1,105,431
Interest in second and third mortgages	**11.1 %**	**104,958**	7.6 %	90,378
	100.0 % $	**946,222**	100.0 % $	1,195,809

The mortgage investments are secured by real property and will mature between the remainder of 2024 and 2027 (December 31, 2022 – 2023 and 2026). During the year ended December 31, 2023, the Company earned interest income on mortgage investments at amortized cost of $110,246 (2022 – $95,271). During 2023, the Company recognized other income of $657 (2022 – $487), attributable to bank interest income and miscellaneous income.

A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal prior to maturity, after six months of interest payments and with a 30 days' written notice without penalty or yield maintenance. The unamortized lender fees are recognized over the term of the mortgage investment.

For the year ended December 31, 2023, the Company recognized income from amortization of lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities of $7,872 (2022 – $8,459). For the year ended December 31, 2023, the Company recorded non-refundable upfront lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities of $6,297 (2022 – $7,913), which are amortized to income over the term of the related mortgage investments using the effective interest rate method.

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

As at	December 31, 2023
2024	**$ 679,801**
2025	**198,624**
2026	**67,672**
2027	**125**
Total	**$ 946,222**

(c) Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third-party lenders take the senior position, and the Company retains the subordinated position.

The Company generally retains an option to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment. In one participation agreement, an option is provided to the third-party lender to sell their senior position back to the Company, at a purchase price equal to the outstanding principal amount of $35,101, the lenders' proportionate share together with all accrued interest. As a result, the lenders' portion of these mortgages is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense are recognized in profit and loss. The Company's portion of the mortgage is recorded as mortgage investments. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 18).

(d) Expected Credit Loss (“ECL”)

The expected credit loss is maintained at a level that management considers adequate to absorb credit-related losses on mortgage and other loan investments classified at amortized cost. The expected credit loss amounted to $12,430 as at December 31, 2023 (December 31, 2022 – $11,350), of which $12,093 (December 31, 2022 – $10,605) was recorded against mortgage investments and $337 (December 31, 2022 – $745) was recorded against other loan investments. Multi-residential mortgage investments are categorized by asset type that includes apartments, condominium construction and retirement housing. Other mortgage investments are categorized by asset type that includes retail, unimproved land, improved land, office, industrial, self-storage, condominium inventory and single-residential housing, etc.

	As at December 31, 2023				As at December 31, 2022			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgages, including mortgage syndications[1]	**$ 943,841**	**$ 58,235**	**$ 51,293**	**$1,053,369**	$1,020,893	$ —	$ 132,767	$1,153,660
Mortgage syndication liabilities[1]	**417,639**	**40,280**	**38,862**	**496,781**	382,077	—	60,361	442,438
Net mortgage investments	**526,202**	**17,955**	**12,431**	**556,588**	638,816	—	72,406	711,222
Expected credit loss[2]	**780**	**280**	**395**	**1,455**	1,424	—	1,409	2,833
	525,422	**17,675**	**12,036**	**555,133**	637,392	—	70,997	708,389
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgages, including mortgage syndications[1]	**425,157**	**15,357**	**65,641**	**506,155**	628,128	—	32,227	660,355
Mortgage syndication liabilities[1]	**107,493**	**—**	**—**	**107,493**	170,508	—	—	170,508
Net mortgage investments	**317,664**	**15,357**	**65,641**	**398,662**	457,620	—	32,227	489,847
Expected credit loss[2]	**560**	**732**	**9,346**	**10,638**	414	—	7,358	7,772
	317,104	**14,625**	**56,295**	**388,024**	457,206	—	24,869	482,075
Other Loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other loans, including other loans syndications[1]	**47,399**	**—**	**—**	**47,399**	60,742	—	—	60,742
Other loans syndication liabilities[1]	**—**	**—**	**—**	**—**	—	—	—	—
Net other loan investments	**47,399**	**—**	**—**	**47,399**	60,742	—	—	60,742
Expected credit loss[2]	**337**	**—**	**—**	**337**	745	—	—	745
	$ 47,062	**$ —**	**$ —**	**$ 47,062**	$ 59,997	$ —	$ —	$ 59,997

[1]Including interest receivable.
[2]Expected credit loss in finance lease receivable (note 4(e)) and unadvanced commitments (note 4) are all considered to be in Stage 1 with minimal ECL.

The changes in the expected credit loss year to date are shown in the following tables:

	Year Ended December 31, 2023				Year Ended December 31, 2022			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of year	$ 1,424	$ —	$ 1,409	$ 2,833	$ 882	$ —	$ —	$ 882
Expected credit loss:								
Remeasurement	(623)	239	1,556	1,172	352	—	1,277	1,629
Transfer to/(from)								
Stage 1	(41)	—	—	(41)	(132)	—	—	(132)
Stage 2	—	41	—	41	—	—	—	—
Stage 3	—	—	—	—	—	—	132	132
Total expected credit loss	760	280	2,965	4,005	1,102	—	1,409	2,511
Fundings	218	—	—	218	698	—	—	698
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(198)	—	—	(198)	(376)	—	—	(376)
Derecognition against inventory	—	—	(2,570)	(2,570)	—	—	—	—
Balance, end of year	780	280	395	1,455	1,424	—	1,409	2,833
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of year	414	—	7,358	7,772	283	52	1,753	2,088
Expected credit loss:								
Remeasurement	269	727	1,925	2,921	119	—	5,553	5,672
Transfer to/(from)								
Stage 1	(68)	—	—	(68)	—	—	—	—
Stage 2	—	5	—	5	—	(52)	—	(52)
Stage 3	—	—	63	63	—	—	52	52
Total expected credit loss	615	732	9,346	10,693	402	—	7,358	7,760
Fundings	25	—	—	25	58	—	—	58
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(80)	—	—	(80)	(46)	—	—	(46)
Balance, end of year	560	732	9,346	10,638	414	—	7,358	7,772
Other Loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of year	745	—	—	745	898	—	—	898
Expected credit loss:								
Remeasurement	(364)	—	—	(364)	(111)	—	—	(111)
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total expected credit loss	381	—	—	381	787	—	—	787
Fundings	—	—	—	—	22	—	—	22
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(44)	—	—	(44)	(64)	—	—	(64)
Balance, end of year	$ 337	$ —	$ —	337	$ 745	$ —	$ —	$ 745

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

	As at December 31, 2023				As at December 31, 2022			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low risk	**$ 184,985**	**$ —**	**$ —**	**$ 184,985**	$ 117,051	$ —	$ —	$ 117,051
Medium-Low risk	**248,215**	**—**	**—**	**248,215**	324,592	—	—	324,592
Medium-High risk	**93,002**	**17,955**	**—**	**110,957**	194,748	—	—	194,748
High risk	**—**	**—**	**—**	**—**	2,425	—	—	2,425
Default	**—**	**—**	**12,431**	**12,431**	—	—	72,406	72,406
Net Mortgage Investments[1]	**526,202**	**17,955**	**12,431**	**556,588**	638,816	—	72,406	711,222
Expected credit loss	**780**	**280**	**395**	**1,455**	1,424	—	1,409	2,833
	525,422	**17,675**	**12,036**	**555,133**	637,392	—	70,997	708,389
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low risk	**39,213**	**—**	**—**	**39,213**	107,417	—	—	107,417
Medium-Low risk	**178,835**	**—**	**—**	**178,835**	233,874	—	—	233,874
Medium-High risk	**99,616**	**15,357**	**—**	**114,973**	116,329	—	—	116,329
High risk	**—**	**—**	**—**	**—**	—	—	—	—
Default	**—**	**—**	**65,641**	**65,641**	—	—	32,227	32,227
Net Mortgage Investments[1]	**317,664**	**15,357**	**65,641**	**398,662**	457,620	—	32,227	489,847
Expected credit loss	**560**	**732**	**9,346**	**10,638**	414	—	7,358	7,772
	317,104	**14,625**	**56,295**	**388,024**	457,206	—	24,869	482,075
Other Loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low risk	**—**	**—**	**—**	**—**	—	—	—	—
Medium-Low risk	**—**	**—**	**—**	**—**	—	—	—	—
Medium-High risk	**—**	**—**	**—**	**—**	—	—	—	—
High risk	**47,399**	**—**	**—**	**47,399**	60,742	—	—	60,742
Default	**—**	**—**	**—**	**—**	—	—	—	—
Net other loan investments	**47,399**	**—**	**—**	**47,399**	60,742	—	—	60,742
Expected credit loss	**337**	**—**	**—**	**337**	745	—	—	745
	$ 47,062	**$ —**	**$ —**	**$ 47,062**	$ 59,997	$ —	$ —	$ 59,997

1. Net of mortgage syndications.

(e) Other investments

As at		December 31, 2023		December 31, 2022
Other loan investments, net of expected credit loss	$	**47,033**	$	59,956
Finance lease receivable, measured at amortized cost		**6,020**		6,020
Investment in participating debentures, measured at FVTPL		**4,380**		4,744
Investment in equity instrument (see note 14(d))		**3,000**		—
Joint venture investment in indirect real estate development		**2,225**		2,225
Total Other Investments	$	**62,658**	$	72,945

Other loan investments will mature between the remainder of 2024 and 2038 (December 31, 2022 – 2023 and 2038). During 2023, other loan investments generated interest income of $5,023 (2022 – $5,257) and income from amortization of lender fees of $407 (2022 – $267). For the year ended 2023, the Company recorded non-refundable upfront cash lender fees on other loan investments of $300 (2022 – $296), which are amortized over the term of the related other loan investments using the effective interest rate method.

Principal repayments of other loan investments by contractual maturity dates are as follows:

As at		December 31, 2023
2024	$	**43,667**
2025		**—**
2026		**—**
2027 and thereafter		**2,840**
Total	$	**46,507**

For the year ended 2023, Investment in participating debentures measured at FVTPL received total cash distribution of $981 (2022 – $616), represented by a return of capital distribution of $707 (2022 – $164), and income distribution of $274 (2022 – $452).

In October 2017, the Company entered into a 20-year emphyteutic lease under which the lessee has the obligation to purchase the property at $9,934 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. The Company has classified the lease as a finance lease and the lease receivable balance of $6,020 (December 31, 2022 – $6,020) is included in other investments. The lease payment began in the third quarter of 2018. Concurrently, the Company entered into a 20-year $3,300 construction loan on the leased property with the lessee which is included in other loan investments. The loan amortization payment began in the fourth quarter of 2019.

The lease receivable payments are due as follows:		Future minimum lease payments		Present value of minimum lease payments
Less than one year	$	172	$	119
Between one and five years		809		628
More than five years		12,163		5,273
	$	**13,144**	**$**	**6,020**

5. REAL ESTATE INVENTORY

Land Inventory

As at December 31, 2023, the Company has land inventory of $30,577 (December 31, 2022 – $30,245), which is recorded at the lower of cost and net realizable value.

Land inventory operations which were acquired in May 2022, incurred net rental loss of $1,485 in 2023 (2022 – loss of $654).

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 $63,855 comprised of net mortgage investment of $64,363, net interest receivable of $2,062 and an ECL provision of $2,569. The Company recognized the three properties as real estate inventory and accordingly recorded them along with associated working capital of $1,888 at a cost of $132,875 inclusive of the syndication partner's 50% share and recognized a corresponding real estate inventory collateral liability of $69,025 to the remaining participants in the discharged mortgage investment.

As at December 31, 2023, the Company has real estate properties inventory of $130,987 (December 31, 2022 – nil), which is recorded as the lower of cost and net realizable value.

As at		December 31, 2023		December 31, 2022
Real Estate Inventory	**$**	**130,987**	$	—
Real Estate Inventory Collateral Liability		**(69,008)**		—
Real Estate Inventory, net of collateral liability	**$**	**61,979**	$	—

Real estate properties inventory generated net rental income of $889 in 2023 (2022 – nil).

6. CREDIT FACILITY

As at	December 31, 2023	December 31, 2022
Credit facility	**$ 260,000**	$ 451,000
Unamortized financing costs	**(296)**	(653)
Credit facility, end of period	**$ 259,704**	$ 450,347

As of December 31, 2023, the Company has an aggregate credit limit of $600,000 under its credit facility. The facility is secured by a general security agreement over the Company's assets and its subsidiaries. The credit facility agreement has a maturity date of February 10, 2024.

The interest rates and fees on the existing 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 December 31, 2023, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the existing credit agreement is $369,537.

Subsequent to year end, the credit facility was renewed on February 8, 2024, the Company entered into an amendment and restatement to its existing credit facility agreement ("Third Amended and Restated Credit Agreement") in order to, among other things, extend the maturity date to February 8, 2026, decrease the aggregate credit limit to $510,000 and reinstate accordion feature to $100,000. The interest rates of the Third Amended and Restated Credit Agreement are either at the prime rate of interest plus 1.25% per annum or term CORRA at 2.25% per annum. All other general terms of the credit facility remain unchanged.

During the year ended December 31, 2023, the Company incurred deferred financing costs of $596 (2022 – $801). The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

Interest on the credit facility is recorded in financing costs and calculated using the effective interest rate method. For the year ended December 31, 2023, included in financing costs is interest on the credit facility of $29,443 (2022 – $21,996) and financing costs amortization of $953 (2022 – $968).

During 2022, included in financing costs is interest on the credit facility - investment properties of $253 and financing costs amortization of $17. In April 2022, in connection with the disposition of the investment properties, the Company's share of the outstanding principal was assumed by the purchaser.

7. CONVERTIBLE DEBENTURES

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

Series	Ticker	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price per share	Equity Component	December 31, 2023	December 31, 2022
June 2017 Debentures	TF.DB.C	5.30 %	June 30, 2024	June 30 and December 31	11.10	$ 560	**$ 45,000**	$ 45,000
July 2021 Debentures	TF.DB.D	5.25 %	July 31, 2028	January 31 and July 31	11.40	1,107	**55,000**	55,000
December 2021 Debentures	TF.DB.E	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							**(5,155)**	(6,580)
Debentures, end of period							**$ 140,845**	$ 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:

	Year ended December 31,	
	2023	**2022**
Interest on the convertible debentures	**$ 7,572**	$ 7,562
Amortization of issue costs and accretion of the convertible debentures	**1,426**	1,460
Total	**$ 8,998**	$ 9,022

June 2017 Debentures

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

The June 2017 Debentures are redeemable, 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 Company may also elect to redeem debentures by issuing common shares at a 5% premium to the prevailing market price at the date of redemption.

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

July 2021 Debentures

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

The July 2021 Debentures are redeemable on or after July 31, 2024 and prior to July 31, 2026 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. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to the prevailing market price at the date of redemption.

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

The issue costs of $2,860 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

December 2021 Debentures

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

The December 2021 Debentures are redeemable on or after December 31, 2024 and prior to December 31, 2026 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. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to the prevailing market price at the date of redemption.

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

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

8. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares. Holders of common shares are entitled to receive notice 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 $500,000. The base shelf prospectus expired on July 10, 2023.

The changes in the number of common shares were as follows:	Year ended December 31,	
	2023	**2022**
Balance, beginning of year	**83,887,516**	82,219,602
Issuance of common shares	**—**	1,504,300
Common shares issued under dividend reinvestment plan	**801,704**	641,944
Common shares repurchased for dividend reinvestment plan	**(801,704)**	(360,830)
Common shares repurchased under normal course issuer bid	**(878,000)**	(117,500)
Balance, end of year	**83,009,516**	83,887,516

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

The Company announced on June 18, 2021 that it has established an ATM Program which allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to $90,000 to the public from time to time, at the Company's discretion. Sales of the common shares under the equity distribution agreement are made through "at-the-market distributions" as defined in National Instrument 44-102 - Shelf Distributions, including sales made directly on the Toronto Stock Exchange (the "TSX"). The common shares distributed under the ATM Program are at the market prices prevailing at the time of sale, and therefore prices vary between purchasers and over time. The ATM Program was active between June 2021 and August 2022 and expired on July 10, 2023.

For the year ended December 31, 2023, the Company did not issue any common shares under the ATM program. For the year ended December 31, 2022, the Company issued 1,504,300 of common shares for gross proceeds of $14,323 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.

For the year ended December 31, 2023, the Company purchased from the open market and issued under DRIP 801,704 common shares (2022 – 360,830) for total amount of $5,959 (2022 – $2,847) at an average price of $7.43 per common share (2022 –$7.89).

For the year ended December 31, 2023, the Company did not issue any common shares from treasury under DRIP. (2022 – issued 281,114 common shares and retained $2,553 in dividends at an average price of $9.08 per common share).

(c) Dividends to holders of common shares

The Company intends to pay dividends to holders of common shares monthly within 15 days following the end of each month. For the year ended December 31, 2023, the Company declared dividends of $57,603 or $0.69 per common share (2022 – $57,721, $0.69 per common share).

As at December 31, 2023, $4,742 in aggregate dividends (December 31, 2022 – $4,824) were payable to the holders of common shares by the Company. Subsequent to December 31, 2023, the Board of Directors of the Company declared dividends of $0.0575 per common share to be paid on January 15, 2024 to the common shareholders of record on December 31, 2023.

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

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

On May 24, 2023, the Company announced that the TSX approved 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 for cancellation under the NCIB by means of open market transactions or otherwise as permitted by the TSX. All repurchases for cancellation 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 year ended December 31, 2023, the Company repurchased 878,000 common shares (2022 – 117,500) for a total amount of $6,222 (2022 – $846). The average price per common share repurchased in 2023 was $7.09.

9. 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 are credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value.

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

For the year ended December 31, 2023, 39,022 units were issued (2022 – 36,704 units) and as at December 31, 2023, 138,059 units were outstanding (December 31, 2022 – 99,037 units). For the year ended December 31, 2023, no DSUs were exercised (2022 – 82,807).

For the year ended 2023, the compensation expense of the members of the Board of Directors amounts to $397 (2022 – $377), which is paid in a combination of DSUs and cash.

10. 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 the year ended December 31, 2023, the Company incurred management fees plus applicable taxes of $11,842 (2022 – $12,230) and servicing fees including applicable taxes of $735 (2022 – $771). For the year ended December 31, 2023, Arrangement Fees of $782 paid by borrower were retained by the Manager (2022 – $755).

11. EARNINGS PER SHARE

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

In accordance with IFRS 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.

The following table shows the computation of per share amounts:

	Year ended December 31,	
	2023	**2022**
Total net income and comprehensive income (basic)	**$ 66,421**	$ 55,896
Interest expense on convertible debentures	**8,998**	—
Total net income and comprehensive income (diluted)	**$ 75,419**	$ 55,896
Weighted average number of common shares (basic)	**83,508,758**	83,622,130
Effect of conversion of convertible debentures	**12,913,703**	—
Weighted average number of common shares (diluted)	**96,422,461**	83,622,130
Earnings per share – basic	**$ 0.80**	$ 0.67
Earnings per share – diluted	**$ 0.78**	$ 0.67

12. CHANGE IN NON-CASH OPERATING ITEMS

Change in non-cash operating items:	Year ended December 31,	
	2023	**2022**
Other assets	**$ (35)**	$ (2,113)
Accounts payable and accrued expenses	**240**	20
Due to Manager	**(93)**	(279)
Mortgage and other loans funding holdbacks	**684**	1,087
Prepaid mortgage and other loans interest	**(3,504)**	760
	$ (2,708)	$ (525)

13. CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Year ended December 31,	
Convertible Debentures	**2023**	**2022**
Balance, beginning of year	**$ 139,420**	$ 137,736
Change in estimate of issuance cost	**—**	224
Total financing cash flow activities	**—**	224
Non-cash activity - amortization of issue costs and accretion expense	**1,425**	1,460
Balance, end of year	**$ 140,845**	$ 139,420

	Year ended December 31,	
Credit Facilities	**2023**	**2022**
Balance, beginning of year	**$ 450,347**	$ 449,869
Deferred financing cost[1]	**(596)**	(814)
Net advances (repayments)	**(191,000)**	31,000
Total financing cash flow activities	**(191,596)**	30,186
Non-cash activity - credit facility - investment properties transfer out	**—**	(30,692)
Non-cash activity - amortization of financing costs	**953**	984
Balance, end of year	**$ 259,704**	$ 450,347

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

14. RELATED PARTY TRANSACTIONS

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

(a) As at December 31, 2023, Due to Manager consists of management and servicing fees payable of $1,005 (December 31, 2022 – $1,098).

(b) During 2023, Arrangement Fees of $782 paid by borrower were retained by the Manager (2022 – $755).

(c) As at December 31, 2023, included in other assets is $3,246 (December 31, 2022 – $6,066) of cash held in trust by TMSI, the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage and other loan funding holdbacks, repayments and prepaid mortgage interest received from various borrowers.

(d) During 2023 the Company advanced $3,000 to TMSI in exchange for 300,000 non-voting shares in order to fund TMSI's capital requirements necessary to service the Company's mortgage portfolio.

(e) As at December 31, 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 first mortgage investment with a total gross commitment of $48,750 (December 31, 2022 – $48,750). The Company's share of the commitment is $4,375 (December 31, 2022 – $4,375). For the year ended December 31, 2023, the Company has recognized net interest income of $776 (2022 – $501).

(f) As at December 31, 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 $34,646 (December 31, 2022 – $35,479). The Company's share in these mortgage investments is $10,262 (December 31, 2022 – $10,508).

(g) As at December 31, 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 $4,380 or €2,994 (December 31, 2022 – $4,744 or €3,281), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.

(h) As at December 31, 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 $22,759 (December 31, 2022 – $19,957). The Company's share in this mortgage investment is $11,379 (December 31, 2022 – $9,979).

15. INCOME TAXES

As of December 31, 2023, the Company has non-capital losses carried forward for income tax purposes of $41,180 (December 31, 2022 - $48,550), which will expire between 2031 and 2042 if not used. The Company also has future deductible temporary differences resulting from allowance for impairment, prepaid mortgage interest, and unearned income for income tax purposes of $20,714 (December 31, 2022 - $22,124). These temporary differences vary from year to year depending on the current year business activity and lender fee income amounts.

16. CAPITAL RISK MANAGEMENT

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

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

The Company's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. There have been no changes in the process over the previous year. As at December 31, 2023, the Company was in compliance with its investment restrictions.

Pursuant to the terms of the credit facility renewal (note 21), the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum adjusted shareholders' equity, maximum non-debenture indebtedness to adjusted shareholders' equity and maximum consolidated debt to total assets. As at September 30, 2023, the Company did not meet the minimum adjusted shareholder's equity covenant under its existing credit facility due to increased exposure in non-performing mortgages and on October 6, 2023 obtained a waiver of such default. There is a risk that further increases in exposure to non-performing mortgages could require repayment of advances under the credit facility as a result of reductions to the borrowing base or the minimum adjusted shareholders' equity covenant no longer being achieved. As at December 31, 2023, the Company was in compliance with its financial covenants.

17. RISK MANAGEMENT

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

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2023, $921,917 of net mortgage investments and $5,000 of other investments bear interest at variable rates (December 31, 2022 – $1,173,733 and $5,000, respectively). Net mortgage investments totaling $855,617 have a floor rate (December 31, 2022 – $1,105,708).

If there were a decrease or increase of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments and other investments to net income and comprehensive income for the next 12 months would be a decrease in net income of $3,326 (December 31, 2022 – 0.50% and $5,709) or an increase in net income of $4,535 (December 31, 2022 – 0.50% and $5,894, respectively). 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 December 31, 2023, net exposure to interest rate risk was $260,000 (December 31, 2022 – $451,000), 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 and comprehensive income for the next 12 months by $1,300 (December 31, 2022 – 0.50% and $2,255).

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

(b) Currency risk

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

> As at December 31, 2023, the Company has US$7,520 and €2,994 in other investments denominated in foreign currencies (December 31, 2022 – US$7,102 and €3,241 in other investments). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at December 31, 2023, the Company has one U.S. dollar currency forward contract with an aggregate notional value of US$7,000, at a forward contract rate of 1.3222, that matured in January 2024. The Company also has one Euro currency contract with an aggregate notional value of €3,000 at a contract rate of 1.4674, that matures in March 2024.

The fair value of the foreign currency forward contracts as at December 31, 2023 is an asset of $21 which is included in other assets. The valuation of the foreign currency forward contracts was computed using Level 2 inputs which include spot and forward foreign exchange rates.

(c) Credit risk

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

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

The exposure to credit risk at December 31, 2023 relating to net mortgages and other investments amount to $1,024,846 (December 31, 2022 – $1,276,737).

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 relating to real estate inventory.

(d) Liquidity risk

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

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at December 31, 2023, including expected interest payments:

December 31, 2023	Carrying value	Contractual cash flow	Within a year	Following year	3 – 5 years	5 + Years
Accounts payable and accrued expenses	$ 4,644	$ 4,644	$ 4,644	$ —	$ —	$ —
Dividends payable	4,742	4,742	4,742	—	—	—
Due to Manager	1,005	1,005	1,005	—	—	—
Mortgage and other loans funding holdbacks	2,029	2,029	2,029	—	—	—
Prepaid mortgage and other loans interest	1,217	1,217	1,217	—	—	—
Credit facility[1]	259,704	262,168	262,168	—	—	—
Real estate inventory collateral liability	69,008	69,008	69,008	—	—	—
Convertible debentures[2]	140,845	171,927	51,380	5,188	115,359	—
	$ 483,194	$ 516,740	$ 396,193	$ 5,188	$ 115,359	$ —
Unadvanced mortgage commitments[3]	—	383,884	383,884	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities[4]	$ 483,194	$ 900,624	$ 780,077	$ 5,188	$ 115,359	$ —

[1] Credit facility includes interest based upon December 31, 2023 interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on February 10, 2024. Subsequent to year end, the Company has extended its credit facility agreement by two years maturing on February 8, 2026.
[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 $240,093 belongs to the Company's syndicated partners.
[4] The principal repayments of $599,956 mortgage syndication liabilities by contractual maturity date are shown net with mortgage investments in note 4(b).

As at December 31, 2023, the Company had a cash position of $4,802 (December 31, 2022 – $2,832), an unutilized credit facility balance of $109,537 (December 31, 2022 – $103,528). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities, including proceeds from mortgage repayments and syndications, and the use of the credit facility.

18. FAIR VALUE MEASUREMENTS

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

As at December 31, 2023	Note	Carrying value: Amortized cost	Carrying value: Fair value through profit or loss	Fair value
Financial assets				
Cash		$ 4,802	$ —	$ 4,802
Other assets		11,383	21	11,404
Mortgage investments, including mortgage syndications		1,539,555	5,557	1,545,112
Other investments	4(e)	53,053	7,380	60,433
Financial liabilities				
Accounts payable and accrued expenses		3,684	960	4,644
Dividends payable		4,742	—	4,742
Due to Manager		1,005	—	1,005
Mortgage funding holdbacks		2,029	—	2,029
Prepaid mortgage interest		1,217	—	1,217
Credit facility		259,704	—	260,000
Real estate inventory collateral liability		69,008	—	69,008
Convertible debentures		140,845	—	130,059
Mortgage syndication liabilities		601,624	—	601,624

As at December 31, 2022	Note	Carrying value: Amortized cost	Carrying value: Fair value through profit or loss	Fair value
Financial assets				
Cash		$ 2,832	$ —	$ 2,832
Other assets		8,319	—	8,319
Mortgage investments, including mortgage syndications		1,794,954	5,552	1,800,506
Other investments	4(e)	65,976	4,744	70,720
Financial liabilities				
Accounts payable and accrued expenses		3,006	1,444	4,450
Dividends payable		4,824	—	4,824
Due to Manager		1,098	—	1,098
Mortgage funding holdbacks		1,345	—	1,345
Prepaid mortgage interest		4,721	—	4,721
Credit facility		450,347	—	451,000
Convertible debentures		139,420	—	131,078
Mortgage syndication liabilities		611,291	—	611,291

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

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

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

(b) Other financial assets and liabilities

The fair values of cash, other assets, lease receivable, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest, real estate inventory collateral liability and credit facility approximate their carrying amounts due to their short-term maturities or bear interest at variable rates. The fair value of investment in participating debentures is based on their latest available redemption price. The fair value of investment in equity instrument is based on initial purchase price.

(c) Convertible debentures

The fair value of the convertible debentures is based on a level 1 input, which is the market closing price of convertible debentures at the reporting date. There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the three months ended December 31, 2023.

19. COMPENSATION OF KEY MANAGEMENT PERSONNEL

For the year ended 2023, the compensation expense of the members of the Board of Directors amounts to $397 (2022 – $377), which is paid in a combination of DSUs and cash. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (Note 10).

20. 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. As of December 31, 2023 there are no provisions recognized.

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.

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 share of the outstanding principal until September 26, 2023. The Company is no longer a guarantor on the aforementioned credit facility as of December 31, 2023.

In one syndicated mortgage participation agreement, an option is provided to the third-party lender to sell their senior position of $35,101 back to the Company at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest.

21. SUBSEQUENT EVENTS

The following are events that occurred subsequent to December 31, 2023:

Credit Facility Renewal

On February 8, 2024, the Company entered into an amendment and restatement to its existing credit facility agreement ("Third Amended and Restated Credit Agreement") in order to, among other things, extend the maturity date to February 8, 2026, decrease the aggregate credit limit to $510,000 and reinstate accordion feature to $100,000. The interest rates of the Third Amended and Restated Credit Agreement are either at the prime rate of interest plus 1.25% per annum or term CORRA at 2.25% per annum. All other general terms of the credit facility remain unchanged. As at December 31, 2023, the Company's qualified credit facility limit calculated using the terms of the Third Amended and Restated Credit Agreement is $365,804.

Sale of Groupe Huot Assets

On December 7, 2023, the Company announced the official sale of the portfolio of seven multi-family, Stage 3 loans in Quebec. These loans, representing a principal balance of $124,873, were fully repaid in January 2024 with Timbercreek recovering all principal and accrued interest. As a result the associated expected credit loss of $1.600 was fully reversed in Q4 2023.

Special Dividend

In light of the strong full-year income results, and in addition to paying 69 cents per share in dividends through the year, the Company has authorized a special dividend of 5.75 cents per share, for shareholders of record as at March 5, 2024. The special dividend will be paid on March 11, 2024, The dividend equates to $4,773 of additional payout to shareholders. The balance of undistributed income is reflected in the Company's book value per share (shareholders' equity divided by number of shares outstanding), ending at $8.45 for the year (before payment of special dividend expected in March 2024) versus $8.33 at the end of 2022.

BOARD OF DIRECTORS

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

BLAIR TAMBLYN
DIRECTOR, CHIEF EXECUTIVE OFFICER,
TIMBERCREEK FINANCIAL

SCOTT ROWLAND
DIRECTOR, CHIEF INVESTMENT OFFICER,
TIMBERCREEK FINANCIAL

W. GLENN SHYBA
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PRINCIPAL, AMDEV PROPERTY GROUP

DEBORAH ROBINSON
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SCOTT ROWLAND
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TRACY JOHNSTON, CPA, CA
CHIEF FINANCIAL OFFICER

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

PATRICK SMITH
MANAGING DIRECTOR, HEAD OF GLOBAL CREDIT

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VICE PRESIDENT, CORPORATE SECRETARY

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