Management's Discussion and Analysis

TIMBERCREEK FINANCIAL

For the year ended December 31, 2020

TIMBERCREEK
FINANCIAL

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

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

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, impacts as a result of COVID-19, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time to time in the Company’s public disclosures. For more information on risks, please refer to the “Risks and Uncertainties” section in this MD&A, and the “Risk Factors” section of our Annual Information Form (“AIF”), which can be found on the System for Electronic Document Analysis and Retrieval (“SEDAR”) website at www.sedar.com.

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

This MD&A is dated March 5, 2021. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Company’s website at www.timbercreekfinancial.com. Additional information about the Company, including its AIF, can be found at www.sedar.com.

BUSINESS OVERVIEW

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

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

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

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

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the year ended December 31, 2020. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2020 and 2019, which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

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

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

NON-IFRS MEASURES

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

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

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

These non-IFRS measures should not be construed as alternatives to total net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS.

Non-IFRS financial measures for net mortgage investments:

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

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

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

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

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

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

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

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

It is the Company's view that IFRS net income does not necessarily provide a complete measure of the Company's recurring operating performance as IFRS net income includes non-cash items such as amortization of lender fees, amortization of financing costs, unrealized fair value changes, and allowance for mortgage investments loss, which are not representative of recurring operating performance. Distributable income is a non-IFRS financial measure of recurring cash flows based on the definition set forth by the Company.

Distributable income is computed as IFRS consolidated net income, adjusted for the earlier mentioned items, calculated on an IFRS basis. The Company uses Distributable Income in assessing its dividend paying capacity. A reconciliation of the distributable income is provided in "Analysis of Financial Information for the Period" section of the MD&A.

Payout ratio on distributable income is a non-IFRS financial measure of the Company's ability to generate recurring 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 recurring cash flows for dividends by removing the effect of amortization, accretion, unrealized fair value adjustments, allowance for mortgage investments loss, and unrealized gain or loss from total net income and comprehensive income.

ii. Distributable income per share – represents the total distributable income divided by the weighted average common shares outstanding for the stated period.

iii. Payout ratio on distributable income – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.

iv. Payout ratio on earnings per share – represents total common share dividends paid and declared for payment, divided by total net income and comprehensive income for the stated period.

v. Adjusted 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.

vi. 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.

vii. 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

Recent Developments

Reflecting on 2020 we will all agree it will be remembered as a year almost without precedent, from an economic, social and geopolitical perspective. The onset of the COVID-19 pandemic in Q1 2020 resulted in a rapidly changing Timbercreek Financial's operating environment, but our team adapted quickly to the work from home model, and as a result our business was able to achieve many of its objectives. Overall national commercial real estate investment volume decreased by 21.9% versus 2019 and marking the lowest overall level since 2016. Corresponding loan origination activity was also materially lower earlier in the year, however we saw resilience and increased activity as the year progressed. Looking past transaction volumes to the underlying operating performance of investment grade real assets, not surprisingly the hospitality and retail sectors were particularly affected, resulting in multiple large real estate investment trusts reducing their distributions, while other national and global real estate owners and operators revised numerous asset-level investment programs. While the long-term economic effects of COVID-19 remain unknown, we are optimistic that the vaccination programs will prove successful and that brighter days are on the horizon.

From a portfolio perspective, our conservative approach and focus on income-producing assets and significant multi-family residential exposure served us well last year. Overall, we concluded the year with a 97.3% dividend payout ratio on distributable income of $0.71 per share, which is within our operating target and expectations In addition, the interest and principal payments from our borrowers continued to be in line with historical collection rates and, at year end, we had only 2 mortgage investments (of 116) in arrears and no COVID-19 related concessions. Weighted average loan-to-value decreased from 70.5% as at December 31, 2019 to 68.5% as at December 31, 2020, primarily a result of conservative reinvestment activities in 2020 on new investments.

Over the last 16 quarters we have maintained an average dividend payout ratio of 94.9% on distributable income despite the historically low interest rate environment we have experienced, demonstrating the Company's resiliency and ability to maintain steady income which is fundamental to our investment proposition.

The mortgage portfolio asset mix remains firmly weighted to multi-family residential assets at 52.3%. From a COVID-19 risk perspective the portfolio has zero hospitality exposure and only modest retail exposure at 18.3%. Of note, approximately 80% of the Company's retail exposure is secured by downtown "high-street" assets in Vancouver, Toronto and Montreal that are characterized by strategic locations and store front access. These assets have performed well through the pandemic and have strong long-term value expectations - as opposed to traditional format fashion-oriented assets that were enduring a systemic shift towards online shopping pre-pandemic, which has dramatically accelerated by the COVID-19 induced shift to e-commerce.

Geographically, our Alberta exposure was reduced to $201.7 million from $252.4 million at the end of 2019 reflective of our cautious view of this energy exposed market while our Quebec exposure has increased to $260.5 million from $109.1 million. Quebec was a focus area in 2020 given the diversified economic characteristics of the province. To continue to advance these efforts, Timbercreek Capital is planning to open a Montreal office in early 2021. Current year end exposure in Ontario has been reduced as a result of specific repayments in late 2020, with this expected to increase again in 2021.

During the year the Company has executed on two initiatives to enhance its financial flexibility:

- The Company opportunistically utilized its Normal Course Issuer's Bid ("NCIB") to repurchase $20.0 million in share buy-backs at an average 5.0% discount to current book value per share, during the market turmoil associated with the onset of COVID-19. This action was accretive to book value per share; and

- On October 22, the Company repaid $45.8 million of its 5.4% convertible debenture utilizing the existing credit facility which carries a substantially lower cost of capital. The credit facility was also re-negotiated to increase its current size to $535.0 million from $500.0 million, and the revolving nature of the facility allows the Company to save even further during periods when the funds are undrawn.

These strategic cost management initiatives will enhance net income and comprehensive income on a go-forward basis or allow for similar profitability on reduced revenue should the investment portfolio be reduced as a result of conservative investment measures taken by the Manager.

While the aggregate portfolio has held up well in the pandemic environment, the component of the net mortgage portfolio measured at FVTPL, which represents 3.5% of total assets, was reduced by $15.5 million in Q4 2020 ($19.5 million for the year) to $60.7 million. The majority of this fair value loss reflects the Company's view that the valuation on a smaller-market enclosed retail asset has been materially affected by the negative retail environment being exacerbated by COVID-19, as noted above. After completing a strategic review of the asset in Q4 the borrower elected to pursue a redevelopment plan, and the Company is adjusting its valuation accordingly. The Company has been actively working with the borrower to conclude on a strategy for the asset, which has evolved from a legacy loan that required enforcement action in 2018 after the previous operator was unable to manage the rapidly changing traditional retail lease up strategies. A second fair market value adjustment was taken related to a manufactured housing project that has experienced significant approval delays. We are focused on exiting these positions prudently to allow for redeployment of capital into new mortgage investments. If the fair value loss taken in 2020 proves to be permanent, the implied lost interest yield would equate to less than 2.0% of 2020 net income and other comprehensive income and similarly represents 1.7% of net mortgage investments.

Outlook

Timbercreek Financial continues to see strong demand for mid-market alternative lending in Canada and attractive risk-adjusted lending opportunities. COVID-19 has had a material impact on commercial real estate with key differences depending on sector. While overall transaction volumes declined in 2020, there was a strong rebound by the Q4. In addition, while multi-family proved very resilient, and in fact ended 2020 with a record investment volume, that was more than offset by weakness in retail, hospitality and office.

From a competitive standpoint, the reduction in interest rates has resulted in some near-term compression of mortgage coupons especially in conventional longer-term lending. While Timbercreek Financial’s focus on shorter-term opportunities to support value-add projects generally results in more durable pricing, competition to deploy capital is a potential headwind in 2021, especially earlier in the year while large institutional players put capital to work to meet their allocation targets. Offsetting a reduction in interest rates are two factors; (i) a corresponding reduction in interest expense on our credit facility and (ii) and a lower cost of capital from senior conventional syndication partners to actively generate strong B-note returns for the Company.

Timbercreek Financial will continue to be cautious in 2021 and will evaluate the ongoing economic environment and COVID-19 related uncertainty. Through these periods of transition, there will also be opportunity and the Company is well capitalized to take advantage of these situations. Finally, during this unique period of uncertainty with non-multi-family assets, Timbercreek Financial will likely be more active in well located development projects where risk-return opportunities are attractive. However, non-income producing assets will remain less than 20% of total exposure.

PORTFOLIO ACTIVITY

In the fourth quarter, collections remained high and largely unaffected by COVID-19. We collected approximately 99.2% of December 2020 interest payments which is materially in line with historical collection rates. This performance highlights the creditworthiness and financial capacity of our existing borrower base.

Industry-wide transaction activity improved in the fourth quarter, relative to Q3 2020. Despite COVID-19 challenges, the Company funded 11 new net mortgage investments totaling $212.5 million and made additional advances of $68.4 million. Portfolio turnover increased to 19.6%, compared with 12.3% in Q3 2020 and the net value of the mortgage portfolio, excluding syndications, was $1,143.1 million at the end of Q4 2020, a decrease of $10.1 million from Q3 2020. The amount drawn on the credit facility funding mortgage investments was $458.8 million at the end of Q4 2020, compared to $470.0 million at the end of Q3 2020. With approximately $76.2 million available on the credit facility, Timbercreek Financial was in a strong liquidity position entering 2021.

At the end of Q4 2020, 84.9% of the mortgage investments were secured by income-producing properties, compared to 84.1% in Q3 2020. Multi-residential real estate assets (apartment buildings) comprise the largest portion of the portfolio at 52.3% at quarter end, compared to 50.0% in Q3 2020.

Our exposure to first mortgages was 90.3% of the net mortgage portfolio at year end. Our current weighted average loan-to-value ratio increased modestly to 68.5% compared to 68.2% in Q3 2020, reflecting our conservative positioning. Despite this positioning, we have maintained our margins and rates. Our weighted average interest rate for the period was 7.2% in Q4 2020 with an exit rate of 7.2% as at December 31, 2020, consistent with the period Q3 2020 and as at September 30, 2020.

The net mortgage portfolio remains heavily weighted toward Canada’s largest provinces, with approximately 97.1% of the mortgage portfolio invested in Ontario, British Columbia, Quebec and Alberta, the majority of which are in urban markets that generally experience better real estate liquidity and thus offer a better risk profile.

The weighted average interest rate in the existing portfolio is well protected at the end of Q4 2020, due to floating rate loans with rate floors representing 78.1% (Q3 2020 – 77.3% and Q4 2019 – 71.0%) of the portfolio. The high percentage of floating rate loans with rate floors has muted the impact of interest rate cuts in Q1 2020 and pricing on recent transactions has remained relatively unchanged.

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

FINANCIAL HIGHLIGHTS

KEY FINANCIAL POSITION INFORMATION	December 31, 2020	December 31, 2019	December 31, 2018
Net mortgage investments[1]	**$ 1,143,121**	$ 1,244,082	$ 1,210,993
Enhanced Return Portfolio[1]	**$ 91,640**	$ 78,247	$ 104,678
CAPITAL STRUCTURE			
Total assets	**$ 1,711,462**	$ 1,797,506	$ 1,945,031
Total liabilities	**$ 1,026,412**	$ 1,069,114	$ 1,229,066
Shareholders' equity	**$ 685,050**	$ 728,392	$ 715,965
Book value per share	**$ 8.47**	$ 8.75	$ 8.77
Convertible debentures, par	**$ 91,000**	$ 136,800	$ 136,800
Credit facility (investment properties)	**$ 30,656**	$ 30,622	$ 32,773
Credit facility (mortgage investments)	**$ 458,299**	$ 459,767	$ 476,166
Total credit facility limit	**$ 565,690**	$ 530,690	$ 533,277
Credit utilization rate	**88.3 %**	94.0 %	96.4 %
COMMON SHARE INFORMATION			
Number of common shares outstanding	**80,887,433**	83,254,130	81,632,844
Closing trading price	**$ 8.65**	$ 9.93	$ 8.75
Market capitalization	**$ 699,676**	$ 826,714	$ 714,287

1. Refer to non-IFRS measures section.

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

OPERATING RESULTS[1]

	Three months ended December 31,		Year ended December 31,		
NET INCOME AND COMPREHENSIVE INCOME	**2020**	**2019**	**2020**	**2019**	**2018**
Net Investment Income on financial assets measured at amortized cost	**$ 23,958**	$ 24,690	**$ 95,940**	$ 98,514	$ 94,087
Total fair value (loss) gain and other income on financial assets measured at FVTPL	**$(14,918)**	$ 517	**$(16,778)**	$ 923	$ 871
Net rental income	**$ 373**	$ 414	**$ 1,453**	$ 1,440	$ 821
Expenses	**(5,560)**	(3,994)	(18,024)	(15,863)	$(14,776)
Income from operations	**$ 3,853**	$ 21,627	**$ 62,591**	$ 85,014	$ 81,003
Other income, net	**$ —**	$ —	**$ —**	$ 413	$ 1,217
Fair value loss on FPHFS	**$ —**	$ —	**$ —**	$ —	$ (109)
Loss from foreclosed properties held for sale	**$ —**	$ —	**$ —**	$ —	$ (39)
Financing costs:					
Financing cost on credit facilities	**$ (4,397)**	$ (5,323)	**$(18,025)**	$(21,886)	$(18,376)
Financing cost on convertible debentures	**$ (1,919)**	$ (2,203)	**$ (8,624)**	$ (8,801)	$(10,628)
Fair value gain (loss) on derivative contract	**$ 850**	$ —	**$ (3,940)**	$ —	$ —
Net (loss) income and comprehensive income	**$ (1,613)**	$ 14,101	**$ 32,002**	$ 54,740	$ 53,068
Payout ratio on earnings per share	**n/a**	101.8 %	**176.4 %**	104.3 %	103.4 %
ADJUSTED NET INCOME AND COMPREHENSIVE INCOME					
Net (loss) income and comprehensive income	**$ (1,613)**	$ 14,101	**$ 32,002**	$ 54,740	$ 53,068
Add: fair value (gain) loss on derivative contract (interest rate swap)	**$ (850)**	$ —	**$ 3,940**	$ —	$ —
Add: net unrealized loss (gain) on financial assets measured at FVTPL	**$ 15,477**	$ (489)	**$ 18,949**	$ 188	$ (74)
Adjusted net income and comprehensive income[1]	**$ 13,014**	$ 13,612	**$ 54,891**	$ 54,928	$ 52,994
Payout ratio on adjusted earnings per share[1]	**107.2 %**	105.5 %	**102.8 %**	103.9 %	103.6 %
DISTRIBUTABLE INCOME					
Adjusted net income and comprehensive income[1]	**$ 13,014**	$ 13,612	**$ 54,891**	$ 54,928	$ 52,994
Less: amortization of lender fees	**(2,929)**	(2,660)	**(10,110)**	(10,029)	(8,328)
Add: lender fees received and receivable	**1,813**	3,502	**7,660**	10,039	11,342
Add: amortization of financing costs, credit facility	**249**	407	**953**	1,655	1,248
Add: amortization of financing costs, debentures	**470**	300	**1,458**	1,191	1,767
Add: accretion expense, debentures	**79**	61	**271**	244	384
Add: unrealized fair value (gain) loss on FPHFS	**—**	—	**—**	—	109
Add: net operating (gain) loss on FPHFS	**—**	—	**—**	—	39
Add: unrealized fair value (gain) loss on DSU	**(99)**	—	**(99)**	—	—
Add: allowance for expected credit loss loss	**2,024**	333	**2,994**	1,313	550
Distributable income[1]	**$ 14,621**	$ 15,555	**$ 58,018**	$ 59,341	$ 60,105
Payout ratio on distributable income[1]	**95.4 %**	92.3 %	**97.3 %**	96.2 %	91.3 %
PER SHARE INFORMATION					
Dividends paid to shareholders	**$ 13,953**	$ 14,355	**$ 56,447**	$ 57,078	$ 54,890
Weighted average common shares	**80,887,433**	83,196,897	**81,870,250**	82,663,775	79,344,276
Dividends per share	**$ 0.17**	$ 0.17	**$ 0.69**	$ 0.69	$ 0.69
Earnings per share (basic and diluted)	**$ (0.02)**	$ 0.17	**$ 0.39**	$ 0.66	$ 0.66
Adjusted earnings per share (basic and diluted)[1]	**$ 0.16**	$ 0.16	**$ 0.67**	$ 0.66	$ 0.67
Distributable income per share[1]	**$ 0.18**	$ 0.19	**$ 0.71**	$ 0.72	$ 0.76

1. Refer to non-IFRS measures section.

For the three months ended December 31, 2020 ("Q4 2020") and December 31, 2019 ("Q4 2019")

- The Company funded 11 new net mortgage investments (Q4 2019 – 25) totaling $212.5 million (Q4 2019 – $336.2 million), and made additional advances on existing mortgage investments totaling $68.4 million (Q4 2019 – $50.7 million). The weighted average interest rate on new net mortgage investments was 6.3% and new funding mainly comprised of $129.0 million in multi-residential investments. The Company fully discharged 24 mortgage investments (Q4 2019 – 24) and partially discharged mortgage investments totaling $275.5 million (Q4 2019 – $316.9 million). Weighted average interest rate on fully discharged net mortgage investments was 6.6%. The quarterly weighted average interest rate on net mortgage investment was 7.2% in Q4 2020, compared to 7.2% in Q3 2020 (Q4 2019 – 7.2%). The weighted average interest rate remained steady compared to Q3 2020.

- Funding of new and existing net mortgage investments of $280.9 million, offset by repayments of $275.5 million and negative fair value adjustment of $15.5 million, resulted in a lower net mortgage investment portfolio of $1,143.1 million, compared to $1,153.2 million at the end of Q3 2020.

- Turnover ratio was 19.6% for Q4 2020 (Q4 2019 – 26.0%). While improved from 12.3% at Q3 2020, the decrease in the turnover ratio from Q4 2019 can be directly tied to the market environment as a result of COVID-19 where sale transactions have been delayed but are still reasonably expected to progress as underwritten.

- Other investments within the enhanced return portfolio were $74.4 million (September 30, 2020 – $76.4 million), a net decrease of $2.0 million in the quarter, primarily due to partial repayment of a collateralized loan investment.

- Net investment income on financial assets measured at amortized cost decreased by $700 quarter over quarter ($24.0 million in Q4 2020 compared to $24.7 million in Q4 2019), primarily attributable to lower weighted average net investments over the periods ($1,124.2 million in Q4 2020 compared to $1,197.4 million in Q4 2019).

- Fair value loss or gains and other income on financial assets measured at FVTPL decreased this quarter from a gain of $517 in Q4 2019 to a loss of $14.9 million in Q4 2020 resulting primarily from negative unrealized fair value adjustments of $15.5 million (Q4 2019 – $489) on mortgage investments measured at FVTPL including a negative adjustment on a mortgage investment secured by a retail asset resulting from the effects COVID-19 has had on existing tenancies as well as the risks and costs associated with a redevelopment plan to stabilize the asset, as well as a negative adjustment on a mortgage investment for a manufactured housing project secured by land resulting from approval delays and the associated risks in commencing the development of the project.

- Income from operations saw a $17.7 million decrease quarter over quarter ($3.9 million in Q4 2020 compared to $21.6 million in Q4 2019), after adjusting for unrealized fair value loss or gain on financial assets measured at FVTPL of $15.5 million for Q4 2020 ($489 for Q4 2019), described above, adjusted income from operations for Q4 2020 was $18.5 million ($21.1 million Q4 2019). The decrease of $2.6 million over prior year is primarily as a result of the decrease in net investment income described above of $700 and an increase in the allowance for credit loss of $1.7 million, partially offset by lower general and administrative expenses.

- Non-refundable cash lender fees were $1.8 million (Q4 2019 – $3.5 million), due primarily to lower new net mortgage investments of $212.5 million in the period versus $336.2 million for the same period in 2019. The quarterly weighted average lender fees on new and renewed mortgages was 0.7% during the quarter (Q4 2019 – 1.0%), while the quarterly weighted average lender fee on new mortgages only was 1.5% (Q4 2019 – 1.1%). The quarterly weighted average lender fees on renewed mortgage accounts was 0.25% (Q4 2019 - 0.20%) and accounts for 56.0% of the weighted cash lender fee, compared to 19.5% in Q4 2019, which is a significant contributing factor to lower quarterly weighted average lender fees on new and renewed mortgages.

- The Company recorded an $850 fair value gain from a 2-year interest rate swap contract (the "Contract") entered into in December 2019. The fair value gain relating to the Contract is recorded at FVTPL in accordance with IFRS, which will expire at par upon maturity. Refer to note 6(a) of the annual financial statements for the years ended December 31, 2020 and 2019.

- Excluding the $850 fair value gain arising from the Contract and the unrealized loss from financial assets measured at FVTPL of $15.5 million, the Company generated adjusted net income and comprehensive income of $13.0 million (Q4 2019 – $13.6 million) or adjusted earnings per share of $0.16 basic and diluted (Q4 2019 – $0.16 basic and diluted). The Company declared $14.0 million in dividends (Q4 2019 – $14.4 million) to common shareholders, representing a payout ratio of 107.2% (Q4 2019 – 105.5%) on an adjusted earnings per share basis.

- General and administrative expenses were $298 (Q4 2019 – $487), reflecting slightly reduced operating costs due to COVID-19 that had been accrued for in the year, but did not materialize.

- Weighted average interest rate in the existing portfolio is well protected at the end of Q4 2020 with 14.4% fixed rate exposure (December 31, 2019 – 22.7%) and floating rate loans with rate floors representing 78.1% (December 31, 2019 – 71.0%), this is consistent with the overall asset allocation strategy shift toward floating rate assets.

- The Company generated distributable income of $14.6 million (Q4 2019 – $15.6 million) or distributable income per share of $0.18 (Q4 2019 – $0.19), representing a payout ratio of 95.4% (Q4 2019 – 92.3%) on a distributable income basis.

- On October 22, 2020, in accordance with the terms of the 5.4% series debenture, the Company repaid $46.4 million in aggregate principal and interest. The Company drew $40.0 million from its credit facility to fund the redemption and associated accrued interest. This resulted in interest savings of approximately $170 for the quarter.

For the years ended December 31, 2020 (“2020”) and December 31, 2019 (“2019”)

- The Company funded 42 new net mortgage investments (2019 – 62) totaling $451.3 million (2019 – $733.5 million), made additional advances on existing mortgage investments totaling $146.0 million (2019 – $99.7 million) and fully discharged 55 mortgage investments (2019 – 57) and partially discharged mortgage investments totaling $678.8 million (2019 – $799.6 million). As a result, the net mortgage investment portfolio as at December 31, 2020 has decreased by $101.0 million, including a fair value loss of $19.5 million, to $1,143.1 million (December 31, 2019 – $1,244.1 million), or 8.1% from December 31, 2019. During the year, the Company proactively bought back shares under its NCIB at an average price of $8.05 per share, aggregating to $20.0 million, contributing to the reduction in the net mortgage investments on a levered basis of approximately $35.1 million.

- Other investments within the enhanced return portfolio were $74.4 million, including an allowance for credit loss of $1.6 million (December 31, 2019 – $61.5 million and $25, respectively). The net increase of $12.9 million was mainly due to new fundings of collateralized loan investments, and foreign exchange translation, which is economically hedged through current cross currency or forward contracts.

- 2020 began with $1,244.1 million of net mortgage investments bearing a 7.1% weighted average interest rate. By the end of Q4 2020, net mortgage investments had declined to $1,143.1 million, as described above at a relatively consistent 7.2% weighted average interest rate.

- Net Investment Income on financial assets measured at amortized cost was $95.9 million (2019 – $98.5 million), a decrease of $2.6 million, or 2.6% from 2019. Decrease in net investment income 2020 compared to 2019 was primarily due to:

    - $1.0 million decrease in interest income from net mortgage and collateralized loan investments, as a result of lower net mortgage investments; and
    - $2.3 million decrease in lender fees due to lower book turnover in the year.

- Fair value loss or gains and other income on financial assets measured at FVTPL decreased in the year from a gain of $923 in 2019 to a loss of $16.8 million in 2020 resulting primarily from negative unrealized fair value adjustments of $18.9 million (2019 – $188) on mortgage investments measured at FVTPL including a negative adjustment on a mortgage investment secured by a retail asset resulting from the effects COVID-19 has had on existing tenancies as well as the risks and costs associated with a redevelopment plan to stabilize the asset, as well as a negative adjustment on a mortgage investment for a manufactured housing project secured by land resulting from approval delays and the associated risks in commencing the development of the project.

- The Company generated income from operations of $62.6 million (2019 – $85.0 million), a decrease of $22.4 million or 26.4% from 2019, after adjusting for unrealized fair value loss on financial assets measured at FVTPL of $18.9 million for 2020 ($188 for 2019), described above, adjusted income from operations for 2020 was $81.5 million ($85.2 million 2019). The decrease of $3.7 million over prior year is primarily as a result of the decrease in net investment income described above of $2.6 million and an increase in the ACL of $1.7 million, offsetting this was a net increase of $1.5 million of interest income earned on financial assets measured at FVTPL in the year.

- Weighted average loan-to-value decreased from 70.5% as at December 31, 2019 to 68.5% as at December 31, 2020 (and up from 68.2% as at Q3 2020). The change is primarily a result of conservative reinvestment activities in 2020 on new investments.

- General and administrative expense was at $1.8 million (2019 – $1.7 million), remaining consistent with prior year.

- Weighted average interest rate in the existing net mortgage portfolio is well protected at the end of Q4 2020 with 14.4% of the portfolio at fixed interest rate (December 31, 2019 – 22.7%) and floating interest rate loans with rate floors representing 78.1% of the portfolio (December 31, 2019 – 71.0%), consistent with overall asset allocation strategy shift toward floating rate assets.

- Non-refundable cash lender fees recorded were $7.7 million (2019 – $10.0 million). Lower cash lender fees is directly attributable to lower transaction volumes. The overall weighted average lender fees on new and renewed mortgages during the year was 0.7% (2019 – 1.0%), while the weighted average lender fee on only new mortgages 2020 was 1.2% (2019 – 1.1%).

- Excluding the $3.9 million unrealized fair value loss arising from the Contract and the $18.9 million unrealized fair value loss on financial assets carried at FVTPL, the Company generated adjusted net income and comprehensive income of $54.9 million (2019 – $54.9 million) or adjusted earnings per share of $0.67 basic and diluted (2019 – $0.66 basic and diluted). The Company declared $56.4 million in dividends (2019 – $57.1 million) to common shareholders, representing a payout ratio of 102.8% (2019 – 103.9%) on an adjusted earnings per share basis.

- The Company generated distributable income of $58.0 million (2019 – $59.3 million) or distributable income per share of $0.71 (2019 – $0.72) resulting in a payout ratio of 97.3% (2019 – 96.2%) on a distributable income basis.

- On March 26, 2020, the Company announced that the TSX approved its NCIB to repurchase for cancellation up to 8,309,785 common shares over a 12-month period. During 2020, the Company repurchased 2,484,515 common shares (2019 – nil) for $20.0 million (2019 – nil). The average price per common share repurchased was $8.05. As of December 31, 2020, the Company has paused the NCIB program after reaching its $20.0 million milestone. The Company may reconsider additional repurchases during the remainder of allotted 12-month period.

- On September 18, 2020, the Company entered into an amendment to its existing revolving credit facility ("Sixth Amending Credit Agreement") in order to, among other things, increase the aggregate credit limit by $35.0 million to a total of $535.0 million. General terms of the credit facility remain unchanged.

- On October 22, 2020, in accordance with the terms of the 5.4% series debenture, the Company repaid $46.4 million in aggregate principal and interest. The Company drew $40.0 million from its credit facility to fund the redemption and associated accrued interest.

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Net investment income on financial assets measured at amortized cost

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

For Q4 2020 and 2020, the Company earned net investment income of $24.0 million and $95.9 million (Q4 2019 – $24.7 million; 2019 – $98.5 million). Net investment income includes the following:

a. Interest income

During Q4 2020 and 2020, the Company earned interest income on net mortgage investments of $19.6 million and $80.6 million (Q4 2019 – $20.7 million; 2019 – $82.4 million). The weighted average interest rate on net mortgage investments during Q4 2020 and 2020 was 7.2% and 7.2% (Q4 2019 – 7.2%; 2019 – 7.2%). The decrease in interest income quarter-over-quarter was due to a lower weighted-average net mortgage investment portfolio in the quarter, however, year-over-year the company maintained a higher weighted average net mortgage investment portfolio, generating higher interest income for the year.

During Q4 2020 and 2020, the Company earned $1.4 million and $5.1 million (Q4 2019 – $1.2 million; 2019 – $6.3 million) of interest income on collateralized loans in other investments in the enhanced return portfolio. Decrease in interest income for the year is primarily due to lower average loan balance in other investments held during 2020.

b. Lender fee income

For Q4 2020 and 2020, the Company recorded non-refundable upfront cash lender fees of $1.8 million and $7.7 million (Q4 2019 – $3.5 million; 2019 – $10.0 million), or a weighted average lender fee on new and renewed mortgages of 0.7% and 0.7%, respectively (Q4 2019 – 1.0%; 2019 – 1.0%). Lower cash lender fees are directly attributable from lower transaction volumes. Lender fees are received upfront and are amortized to income over the life of the respective loan, using the effective interest rate method. For Q4 2020 and 2020, lender fees of $2.9 million and $10.0 million were amortized to lender fee income (Q4 2019 – $2.7 million; 2019 – $10.0 million).

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

c. Other income/loss

During Q4 2020 and 2020, the Company incurred other income of $45 and $231 (Q4 2019 – $49; 2019 – other income $269), primarily attributable to bank interest income, miscellaneous income and dividend income.

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

During Q4 2020 and 2020, the Company incurred on total loss on financial assets measured at FVTPL of $14.9 million and $16.8 million (Q4 2019 – gain $489; 2019 – loss $188). the Company earned interest income on net mortgage investments measured at FVTPL of $540 and $2.1 million (Q4 2019 – $170; 2019 – $170), offset by decrease in fair value of mortgage investments classified as measured at FVTPL of $15.5 million and $18.9 million (Q4 2019 – nil; 2019 – nil), respectively.

The fair value loss is primarily related to a retail asset where e-commerce and COVID-19 continue to affect tenancy, as well as the risks and costs associated with a redevelopment plan to stabilize the asset. Additionally, a mortgage investment for a manufactured housing project secured by land measured at FVTPL recorded a negative adjustment in fair value due to project development delays unrelated to COVID-19.

The Company reviewed its portfolio of FVTPL loans in light of the continuing impact COVID-19 is having on the economy, capital markets, transaction volumes and lower interest rate environment. In some instances it has identified areas where cash flows in valuation models have been adjusted to reflect longer lease-up periods and repositioning of the assets as well as development delays. Additionally, in normal course, the Company has reviewed its valuation models and adjusted overall capitalization rates and stabilized net operating income. Combined, these have resulted in a net $19.5 million unrealized fair value decrease in the statement of net income and other comprehensive income.

Net rental income from investment properties

The net rental income from investment properties for Q4 2020 and 2020 was $373 and $1.5 million (Q4 2019 $414; 2019 – $1.4 million), respectively. The rental revenue is consistent at stable occupancy levels offset by a moderate operating cost increase.

Expenses

Management, Servicing and Arrangement Fees

On April 3, 2020, the Board approved an amended and restated management agreement dated effective April 1, 2020 (the “Management Agreement”) between the Company and the Manager, which amended and restated the management agreement (the “Original Management Agreement”) dated June 30, 2016.

The Original Management Agreement had a term of 10 years and could be automatically renewed for successive five year terms at the expiration of the initial term and paid the Company (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 retained 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.

The term of the Management Agreement is for a period of 10 years commencing on April 1, 2020, and will be automatically renewed for successive five year terms. The management fee and servicing fee remains consistent with the Original Management Agreement. 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.

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

For Q4 2020 and 2020, the Company incurred management fees of $3.1 million and $12.4 million (Q4 2019 – $3.1 million; 2019 – $12.4 million). The average gross assets were $1,296.0 million and $1,325.2 million compared to Q4 2019 $1,304.8 million and 2019 $1,319.5 million. For Q4 2020 and 2020, the Company incurred $187 and $788, respectively (Q4 2019 – $114 and 2019 – $497) in servicing fees. The increase is related to the increase in the average syndications balance during the period. For Q4 2020 and 2020, Arrangement Fees of $92 and $134 was retained by the Manager (Q4 2019 – nil and 2019 – nil).

General and administrative

For Q4 2020 and 2020, the Company incurred general and administrative expenses of $298 and $1.8 million, respectively (Q4 2019 – $487; 2019 – $1.7 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees, legal fees, other operating costs and administration of the mortgage and other investments portfolio. While quarter over quarter decrease is a recovery in accrued liabilities from operating activities paused during COVID-19, the year over year costs remained relatively consistent.

Interest on credit facility – mortgage investments

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q4 2020 and 2020, included in financing costs is interest on the credit facility $3.2 million and $13.4 million (Q4 2019 – $4.6 million; 2019 – $18.9 million), and realized loss on the Contract of $761 and $2.7 million (Q4 2019 – nil; 2019 – nil) and financing costs amortization of $236 and $909 (Q4 2019 – $398; 2019 – $1.6 million). The unrealized fair value relating to the Contract is recorded at FVTPL in accordance with IFRS, which will expire at par upon maturity. For Q4 2020 and 2020, included in financing costs is unrealized fair value gain of $850 and loss of $3.9 million (Q4 2019 – nil, YTD 2019 – nil). The average credit utilization in 2020 was $471.8 million compared to $441.8 million 2019. The higher utilization is partially due the utilization of the credit facility to repay $45.8 million 5.4% convertible debentures. The decrease of interest expense over the comparable 2019 period is related to the overall reduction in borrowing cost with effective cost rate of 3.58% (2019 - 4.34%).

Interest on credit facility – investment properties

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q4 2020 and 2020, included in financing costs is interest on the credit facility of $234 and $944 (Q4 2019 – $270; 2019 – $1.4 million) and financing costs amortization of $13 and $44 (Q4 2019 – $9; 2019 – $48). The decrease of interest expense over the comparable 2019 period is related to the overall reduction in borrowing cost.

Financing cost on convertible debentures

The Company has $46.0 million of 5.45% convertible unsecured subordinated debentures and $45.0 million of 5.30% convertible unsecured subordinated debentures outstanding as at December 31, 2020. On October 22, 2020, the Company repaid in full $45.8 million of 5.40% convertible unsecured subordinated debentures, deferred issue costs and accretion expense of $314 were written off upon full repayment. 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,	
	2020	**2019**	**2020**	**2,019**
Interest on the convertible debentures	**$ 1,370**	$ 1,842	**$ 6,895**	$ 7,366
Amortization of issue costs and accretion of the convertible debentures	**549**	361	**1,729**	1435
Total financing cost on convertible debentures	**$ 1,919**	$ 2,203	**$ 8,624**	$ 8,801

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

Earnings per share

For Q4 2020 and 2020, basic and diluted earnings per share were $(0.02) and $0.39, basic and diluted adjusted earnings per share were $0.16 and $0.67. (Q4 2019 – basic and diluted $0.17, basic and diluted adjusted $0.16; 2019 – basic and diluted $0.66, basic and diluted adjusted $0.66)

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

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

STATEMENTS OF FINANCIAL POSITION

Net Mortgage Investments

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

Reconciliation of gross and net mortgage investments balance is as follows:

Net Mortgage Investments	December 31, 2020	December 31, 2019
Mortgage investments, excluding mortgage syndications	**$ 1,142,662**	$ 1,240,747
Mortgage syndications	**429,915**	$ 426,939
Mortgage investments, including mortgage syndications	**1,572,577**	$ 1,667,686
Mortgage syndication liabilities	**(429,915)**	(426,939)
	1,142,662	1,240,747
Interest receivable	**(10,209)**	(8,428)
Unamortized lender fees	**6,958**	9,460
Allowance for mortgage investments loss	**3,710**	2,303
Net mortgage investments	**$ 1,143,121**	$ 1,244,082

Net mortgage investments statistics and ratios[1]	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Total number of mortgage investments	**116**	129	**116**	129
Average net mortgage investment	**$ 10,022**	$ 9,524	**$ 10,022**	$ 9,524
Average net mortgage investment portfolio	**$ 1,083,435**	$ 1,199,831	**$ 1,124,189**	$ 1,197,377
Weighted average interest rate for the period	**7.2 %**	7.2 %	**7.2 %**	7.2 %
Weighted average lender fees for the period	**0.7 %**	1.0 %	**0.7 %**	1.0 %
Turnover ratio	**19.6 %**	26.0 %	**57.0 %**	67.0 %
Average remaining term to maturity (years)	**1.0**	1.4	**1.0**	1.4
Net mortgage investments secured by cash-flowing properties	**84.9 %**	86.8 %	**84.9 %**	86.8 %
Weighted average loan-to-value	**68.5 %**	70.5 %	**68.5 %**	70.5 %

1 Refer to non-IFRS measures section.

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

Portfolio allocation

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

a. Security position

	December 31, 2020			December 31, 2019		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Interest in first mortgages	99	$	1,031,984	114	$	1,125,797
Interest in second and third mortgages[1]	17		111,137	15		118,285
	116	$	1,143,121	129	$	1,244,082

[1]Included in the Company's interest in second and third mortgages as at December 31, 2020 was $17.2 million of the net mortgage investments in which the Company holds a subordinated position (December 31, 2019 - $42.6 million). The Company's syndicated partners who hold a senior position as at December 31, 2020 was $42.7 million (December 31, 2019 - $32.7 million).

b. Region

	December 31, 2020			December 31, 2019		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
Ontario	46	$	380,616	65	$	535,622
British Columbia	24		267,055	29		297,580
Alberta	15		201,650	14		252,437
Quebec	21		260,469	11		109,092
Other (Saskatchewan, Nova Scotia and Manitoba)	10		33,331	10		49,351
	116	$	1,143,121	129	$	1,244,082

c. Maturity

	December 31, 2020			December 31, 2019		
	Number		Net Mortgage Investments	Number		Net Mortgage Investments
2020	0	$	—	47	$	416,478
2021	60		606,667	59		543,274
2022	42		381,196	20		232,257
2023	13		150,758	3		52,073
2024	—		—	—		—
2025 and thereafter	1		4,500	—		—
	116	$	1,143,121	129	$	1,244,082

d. Asset Type / WALTV at origination[3]

	December 31, 2020				December 31, 2019			
	Number		Net Mortgage Investments	WALTV at origination	Number		Net Mortgage Investments	WALTV at origination[3]
Multi-Residential[1]	68	$	597,771	72.3%	79	$	673,585	74.0%
Retail	17		184,104	70.7%	19		192,749	69.1%
Unimproved Land[2]	10		105,943	51.3%	9		106,874	49.4%
Office	8		97,761	62.3%	10		105,936	62.6%
Retirement	3		77,567	74.1%	3		58,175	75.6%
Industrial	5		16,855	63.2%	5		30,187	66.6%
Single-Residential	1		1,574	69.5%	1		1,574	69.5%
Self-Storage	1		830	80.9%	—		—	—%
	113		1,082,405	69.1%	126		1,169,080	69.8%
Net mortgage investments measured at FVTPL	3		60,716	n/a	3		75,002	n/a
	116	$	1,143,121		129	$	1,244,082	

[1] Includes 11 construction loans (December 31, 2019 - 7) totaling $38.3 million (December 31, 2019 - $26.7 million). Construction loans are provided for the purposes of building a new asset.
[2] Unimproved land loans are provided to non-income producing properties that does not contemplate construction during the loan period.
[3] Weighted average loan-to-value measured at time of origination.

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

Enhanced return portfolio

As at		December 31, 2020		December 31, 2019
Collateralized loans, net of allowance for credit loss	$	**60,370**	$	48,326
Finance lease receivable, measured at amortized cost		**6,020**		6,020
Investment, measured at FVTPL		**5,819**		4,949
Indirect real estate development, measured using equity method:				
Investment in Joint Venture		**2,225**		2,225
Total Other Investments		**74,434**		61,520
Investment properties		**47,862**		47,349
Credit facility (investment properties)		**(30,656)**		(30,622)
Net equity in investment properties		**17,206**		16,727
Total Enhanced Return Portfolio	$	**91,640**	$	78,247

During Q4 2020 and 2020, the Company earned $1.4 million and $5.1 million (Q4 2019 – $1.2 million and 2019 – $6.3 million) of interest income on collateralized loans in other investments in the enhanced return portfolio.

During Q4 2020 and 2020, the Company amortized lender fee income of $89 and $259 on collateralized loans in other investments, net of fees relating to mortgage syndication liabilities (Q4 2019 – $41 and 2019 – $386). During Q4 2020 and 2020, the Company recorded non-refundable upfront cash lender fees of nil and $297 (Q4 2019 – nil; 2019 – nil), which are amortized over the term of the collateralized loans in other investments using the effective interest rate method.

In 2017, the Company entered into an 20-year emphyteutic lease on a foreclosed property held for sale in Quebec, which had a fair value of $5.4 million at the time of the transaction. Refer to note 4(e) of the Consolidated Financial Statements for the years ended December 31, 2020 and 2019.

On August 16, 2017, the Company acquired a 20.46% undivided beneficial interest in the Saskatchewan Portfolio which is comprised of 14 investment properties totaling 1,079 units located in Saskatoon and Regina, Saskatchewan for a total purchase price of $201.7 million (the Company's share is $41.3 million). As at December 31, 2020, the Company's share of the investment properties has an aggregate fair value of $47.9 million (December 31, 2019 – $47.3 million) and are pledged as security for the credit facility of the co-ownership. The Company is entitled to receive incremental profits from the excess returns generated over certain thresholds.

Mortgage syndication liabilities

The Company enters into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third-party lenders take the senior position and the Company retains the subordinated position. These agreements generally provide an option to the Company to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. The Company has mortgage syndication liabilities of $429.9 million (December 31, 2019 – $426.9 million). In general, mortgage syndication liabilities vary from quarter to quarter and are dependent on the type of investments seen at any particular time and are not necessarily indicative of a future trend.

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

Allowance for Credit Losses ("ACL")

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on our mortgage and other investments. The allowance for credit losses amounted to $5.3 million as at December 31, 2020 (December 31, 2019 – $2.3 million), of which $3.7 million (December 31, 2019 – $2.3 million) was recorded against mortgage investments and $1,613 (December 31, 2019 – $25) was recorded against other investments.

	As at December 31, 2020				As at December 31, 2019			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	$780,537	$43,569	$ 3,055	$ 827,161	$925,025	$ —	$ 2,903	$927,928
Mortgage syndication liabilities[1]	209,778	—	—	209,778	240,724	—	—	240,724
Net mortgage investments	570,759	43,569	3,055	617,383	684,301	—	2,903	687,204
Allowance for credit losses[2]	967	91	1,405	2,463	1,003	—	253	1,256
	569,792	**43,478**	**1,650**	**614,920**	**683,298**	**—**	**2,650**	**685,948**
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	692,069	—	3,235	695,304	674,306	—	3,102	677,408
Mortgage syndication liabilities[1]	221,335	—	—	221,335	187,274	—	—	187,274
Net mortgage investments	470,734	—	3,235	473,969	487,032	—	3,102	490,134
Allowance for credit losses[2]	293	—	954	1,247	334	—	713	1,047
	470,441	**—**	**2,281**	**472,722**	**486,698**	**—**	**2,389**	**489,087**
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Mortgages, including mortgage syndications[1]	55,416	—	6,669	62,085	48,407	—	—	48,407
Mortgage syndication liabilities[1]	—	—	—	—	—	—	—	—
Net mortgage investments	55,416	—	6,669	62,085	48,407	—	—	48,407
Allowance for credit losses[2]	97	—	1,516	1,613	25	—	—	25
	$ 55,319	**$ —**	**$ 5,153**	**$ 60,472**	**$ 48,382**	**$ —**	**$ —**	**$ 48,382**

[1]Including interest receivable
[2]Allowance for credit losses in finance lease receivable (note 4(e)) and unadvanced commitments (note 4(a)) are all considered to be in Stage1 with minimal ACL.

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

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

	Year Ended December 31, 2020				Year Ended December 31, 2019			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	$ 1,003	$ —	$ 253	$ 1,256	$ 627	$ —	$ 3	$ 630
Allowance for credit losses								
Remeasurement	241	133	1,152	1,526	(4)	2	250	248
Transfer to/(from)								
Stage 1	(5)	—	—	(5)	2	—	—	2
Stage 2	—	5	—	5	—	(2)	—	(2)
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	1,239	138	1,405	2,782	625	—	253	878
Fundings	544	5	—	549	863	—	—	863
Discharges	(816)	(52)	—	(868)	(485)	—	—	(485)
Balance at end of fiscal period	**$ 967**	**$ 91**	**$ 1,405**	**$ 2,463**	**$ 1,003**	**$ —**	**$ 253**	**$ 1,256**
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	$ 334	$ —	$ 713	$ 1,047	$ 200	$ —	$ 587	$ 787
Allowance for credit losses								
Remeasurement	(132)	—	241	109	142	—	742	884
Transfer to/(from)								
Stage 1	(5)	—	—	(5)	—	—	—	—
Stage 2	—	5	—	5	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	197	5	954	1,156	342	—	1,329	1,671
Fundings	173	—	—	173	134	—	—	134
Discharges	(77)	(5)	—	(82)	(142)	—	(616)	(758)
Balance at end of fiscal period	**$ 293**	**$ —**	**$ 954**	**$ 1,247**	**$ 334**	**$ —**	**$ 713**	**$ 1,047**
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	$ 25	$ —	$ —	$ 25	$ 212	$ —	$ 3	$ 215
Allowance for credit losses								
Remeasurement	—	—	1,511	1,511	8	—	—	8
Transfer to/(from)								
Stage 1	(5)	—	—	(5)	3	—	—	3
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	5	5	—	—	(3)	(3)
Total allowance for credit losses	20	—	1,516	1,536	223	—	—	223
Fundings	82	—	—	82	3	—	—	3
Discharges	(5)	—	—	(5)	(201)	—	—	(201)
Balance at end of fiscal period	**$ 97**	**$ —**	**$ 1,516**	**$ 1,613**	**$ 25**	**$ —**	**$ —**	**$ 25**

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 and population of location of the collateral. In 2020, the Company enhanced this process to include an assessment of possible loan deterioration factors. These factors include consideration of the sponsor's ability to make interest payments, the condition of the asset and cash flows, economic and market factors as well as any changes to business strategy that could affect the execution risk of the loan.

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

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

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

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

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

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

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

	As at December 31, 2020				As at December 31, 2019			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	$ 209,373	$ —	$ —	$ 209,373	$ 205,588	$ —	$ —	$ 205,588
Medium-Low risk	307,977	35,953	—	343,930	444,496	—	—	444,496
Medium-High risk	53,409	7,616	—	61,025	34,217	—	—	34,217
High risk	—	—	—	—	—	—	—	—
Default	—	—	3,055	3,055	—	—	2,903	2,903
Net	570,759	43,569	3,055	617,383	684,301	—	2,903	687,204
Allowance for credit losses	967	91	1,405	2,463	1,003	—	253	1,256
Mortgage investments[1]	**569,792**	**43,478**	**1,650**	**614,920**	**683,298**	**—**	**2,650**	**685,948**
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	72,957	—	—	72,957	118,546	—	—	118,546
Medium-Low risk	333,990	—	—	333,990	275,349	—	—	275,349
Medium-High risk	41,012	—	—	41,012	82,054	—	—	82,054
High risk	22,775	—	—	22,775	11,083	—	—	11,083
Default	—	—	3,235	3,235	—	—	3,102	3,102
Net	470,734	—	3,235	473,969	487,032	—	3,102	490,134
Allowance for credit losses	293	—	954	1,247	334	—	713	1,047
Mortgage investments[1]	**470,441**	**—**	**2,281**	**472,722**	**486,698**	**—**	**2,389**	**489,087**
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	55,416	—	—	55,416	48,407	—	—	48,407
Default	—	—	6,669	6,669	—	—	—	—
Net	55,416	—	6,669	62,085	48,407	—	—	48,407
Allowance for credit losses	97	—	1,516	1,613	25	—	—	25
Other loan Investments[1]	**$ 55,319**	**$ —**	**$ 5,153**	**$ 60,472**	**$ 48,382**	**$ —**	**$ —**	**$ 48,382**

[1] Net of allowance and mortgage syndications

Net working capital

Net working capital increased by $2.2 million to $13.3 million at December 31, 2020 from $11.1 million at December 31, 2019.

Credit facility (mortgage investments)

The Company originally had a $400.0 million credit facility with 10 Canadian banks and by the exercising accordion feature on February 13, 2018 and November 16, 2018, the Company increased the credit limit to $500.0 million. The facility is secured by a general security agreement over the Company's assets and its subsidiaries and has a maturity date of December 20, 2021. On December 20, 2019, the Company amended the credit facility agreement (the "Fourth Amending Credit Agreement") to amend certain terms and conditions, including rates of interest.

The rates of interest and fees of the Fourth Amending Credit Agreement are either at the prime rate of interest plus 1.00% per annum (December 31, 2019 – prime rate of interest plus 1.00% per annum) or bankers' acceptances with a stamping fee of 2.00% (December 31, 2019 – 2.00%) and standby fee of 0.40% per annum (December 31, 2019 – 0.40%) on the unutilized credit facility balance. As at December 31, 2020, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the Fourth Amending Credit Agreement is $493.6 million.

As at December 31, 2020, the Company had a 2-year interest rate swap contract (the "Contract") with three Canadian banks with notional value of $250.0 million, maturing December 2021. Under the terms of the Contract, the Company is required to pay fixed rate of 2.02% and receive floating rate based on 1-month banker's acceptance. Net realized and unrealized fair value gain or loss from the Contract is recognized in statement of net income and comprehensive income. As at December 31, 2020, the Company recorded $3.9 million in fair value loss (December 31, 2019 – nil), and the fair value gain or loss relating to the Contract is recorded in accordance with IFRS, which will expire at par upon maturity.

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

Credit facility (investment properties)

Concurrently with the Saskatchewan Portfolio acquisition, the Company and the co-owners originally entered into a credit facility agreement with a Schedule 1 Bank with a maturity date of August 10, 2019. Under the terms of the agreement, the co-ownership has a maximum available credit of $162.6 million. The gross initial advance on the credit facility was $144.6 million. The Company's share of the initial advance was $29.6 million plus $109 of unamortized financing costs.

On October 9, 2019, the credit facility agreement was further amended (the “Amended and Restated Credit Agreement”) to establish Tranche A, Tranche B and Tranche C credit facilities (the “Credit Facilities”). Under the amended terms, the maximum available credit is $150 million. As at December 31, 2020, the co-owners borrowed $150.0 million from the Credit Facilities. The Company's share of the outstanding amount is $30.7 million. The original credit facility provided the co-owners with the option to borrow at either the prime rate of interest plus 1.50% or at the bankers’ acceptances with a stamping fee of 2.50% ("Canadian Dollar Loans"), or at LIBOR plus 2.50%. Under the Amended and Restated Credit Agreement, the Credit Facilities consist of following:

1) Tranche A credit facility provides the co-owners an option to borrow at either the prime rate of interest plus 1.00% or at the bankers’ acceptances with a stamping fee of 2.00% ("Canadian Dollar Loans"), or at LIBOR plus 2.00%, with maturity date of October 9, 2021.The credit facility is secured by a first charge on specific assets with a gross carrying value of $31.7 million. The Company’s share of the carrying value is $6.5 million.

2) Tranche B credit facility comprises of a commercial mortgage loan for certain properties defined as Tranche B properties (the “Tranche B Properties”) in the Amended and Restated Credit Agreement, where terms and conditions are set forth in a rate lock agreement, with a maturity date of October 9, 2020, and a locked in rate of 3.305%. The Tranche B credit facility is secured by a first charge on the Tranche B Properties with a gross carrying value of $39.7 million. The Company’s share of the carrying value is $8.1 million. Upon maturity, the Tranche B credit facility was extended to February 5, 2021 with borrowing options by way of fixed rate of 3.305%, Prime Loans or Bankers' Acceptances following the same cost structure as stated in Tranche A. Subsequent to December 31, 2020, the agreement was further amended to extend the maturity date to May 7, 2021

3) Tranche C credit facility comprises of a commercial mortgage loan for certain properties defined as Tranche C properties (the “Tranche C Properties”) in the Amended and Restated Credit Agreement, where terms and conditions are set forth in a rate lock agreement, with a maturity date of October 9, 2021 and a locked in rate of 3.114%. The Tranche C credit facility is secured by a first charge on the Tranche C Properties with a gross carrying value of $78.6 million. The Company’s share of the carrying value is $16.1 million.

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

As at December 31, 2020, the co-owners borrowed $150.0 million from the Credit Facilities. The Company's share of the outstanding amount in is $30.7 million.

Convertible debentures

(a) On July 29, 2016, the Company completed a public offering of $40 million, plus an overallotment option of $5.8 million on August 5, 2016, of 5.40% convertible unsecured subordinated debentures for net proceeds of $43.5 million (the “2016 debentures”). The 2016 debentures mature on July 31, 2021 and pay interest semi-annually on January 31 and July 31 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The 2016 debentures are redeemable on and after July 31, 2019 and prior to July 31, 2020, by the Company, subject to certain conditions, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after July 31, 2020 and prior to the maturity date, the 2016 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.

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

On October 22, 2020, the 2016 debentures were redeemed at par plus accrued and unpaid interest of $46.4 million. The Company drew $40 million from its credit facility to fund the redemption plus accrued and unpaid interest.

(b) On February 7, 2017, the Company completed a public offering of $40 million, plus an overallotment option of $6 million, of 5.45% convertible unsecured subordinated debentures for net proceeds of $43.7 million (the “February 2017 debentures”). The February 2017 debentures mature on March 31, 2022 and pay interest semi-annually on September 30 and March 31 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The February 2017 debentures are redeemable on and after March 31, 2020, but prior to March 31, 2021, the February 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after March 31, 2021 and prior to the maturity date, the February 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $607, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $46 million. The issue costs of $2.2 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

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

(c) On June 13, 2017, the Company completed a public offering of $40 million, plus an overallotment option of $5 million on June 27, 2017, of 5.30% convertible unsecured subordinated debentures for net proceeds of $42.8 million (the "June 2017 debentures"). The June 2017 debentures mature on June 30, 2024 and pay interest semi-annually on June 30 and December 31 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $11.10 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The June 2017 debentures are redeemable on and after June 30, 2020, but prior to June 30, 2022, the June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after June 30, 2022 and prior to the maturity date, the June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $560, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $45 million. The issue costs of $2.2 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

The convertible debentures are comprised of as follows:

		December 31, 2020		December 31, 2019
Issued	**$**	**91,000**	$	136,800
Unamortized financing cost and amount classified as equity component		**(2,038)**		(3,767)
Debentures, end of period	**$**	**88,962**	$	133,033

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,		
		2020		**2019**
Interest on the convertible debentures	**$**	**6,895**	$	7,366
Amortization of issue costs and accretion of the convertible debentures		**1,729**		1,435
Total	**$**	**8,624**	$	8,801

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.

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

The Company announced on June 21, 2018 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 $70 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. Net proceeds of the ATM Program were used to repay amounts owing under its secured revolving credit facility and the Company will subsequently draw on the credit facility for purposes of funding the purchase of new investments in accordance with i strategies, investment objectives and investment. The ATM Program was active between July 2018 to July 2019 and expired on January 11, 2020.

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

On March 26, 2020, the Company announced that the TSX approved the Company's normal course issuer bid (the "NCIB") to repurchase for cancellation up to 8,309,785 common shares over a 12-month period. Repurchases under the NCIB commenced on March 30, 2020 and will continue until March 29, 2021, when the bid expires, or such earlier date as the Company has repurchased the maximum number of common shares permitted under the bid.

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

During Q4 2020 and 2020, the Company repurchased nil and 2,484,515 common shares (Q4 2019 – nil; 2019 – nil) for total amount of $20.0 million (Q4 2019 – nil; 2019 – nil). The average price per common share repurchased was $8.05 for 2020. As of December 31, 2020, the Company has paused the NCIB program after reaching its $20.0 million milestone. The Company may reconsider additional repurchases during the remainder of alloted 12-month period.

(c) 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 2020 and 2020, the Company purchased from open market 141,430 and 434,096 common shares (Q4 2019 – nil and 2019 – 36,866) for total amount of $1.2 million and $3.6 million (Q4 2019 – nil; 2019 – $338) at an average price of $8.28 per common share.

During Q4 2020 and 2020, the Company issued from treasury nil and 117,818 common shares (Q4 2019 – 120,857 and 2019 – 454,286) and retained nil and $1.1 million in dividends (Q4 2019 – $1.2 million; 2019 – $4.2 million) at an average price of $9.62 per common share.

(d) 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 2020 and 2020, the Company declared dividends of $14.0 million or $0.1725 per common share and $56.4 million or $0.6900 per common share (Q4 2019 – $14.4 million, $0.1725 per share and 2019 – $57.1 million, $0.6900 per share).

As at December 31, 2020, $4.7 million in aggregate dividends (December 31, 2019 – $4.8 million) was payable to the holders of common shares by the Company. Subsequent to December 31, 2020, the Board of Directors of the Company declared dividends of $0.0575 per common share to be paid on January 15, 2021 to the common shareholders of record on December 31, 2020.

Non-executive director deferred share unit plan ("DSU Plan")

Commencing June 30, 2016, the Company instituted a non-executive director deferred share unit plan, whereby a director can elect up to 100% of the compensation be paid in the form of DSUs, credited quarterly in arrears. The portion of a director’s compensation which is not payable in the form of DSUs shall be paid by the Company in cash, quarterly in arrears. The fair market value of the DSU is the volume weighted average price of a common share as reported on the TSX for the 20 trading days immediately preceding that day (the “Fair Market Value”). The directors are entitled to also accumulate additional DSUs equal to the monthly cash dividends, on the DSUs already held by that director determined based on the Fair Market Value of the common shares on the dividend payment date.
Following each calendar quarter, the director DSU accounts will be credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value. Until June 30, 2018, each director was also entitled to an additional 25% of DSUs that are issued in the quarter up to a maximum value of $5 per annum.

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 2020 and 2020, 9,951 and 40,466 units were issued (2019 – 8,274 and 32,417) and as at December 31, 2020, 108,187 units were outstanding (December 31, 2019 – 84,308 units). No DSUs were exercised or canceled, resulting in a DSU expense of $81 and $341 (2019 – $86 and YTD 2019 – $338). As at December 31, 2020, $81 (December 31, 2019 – $86) in compensation was granted in DSUs, which will be issued subsequent to December 31, 2020.

STATEMENT OF CASH FLOWS

Cash from operating activities

Cash from operating activities for 2020 was $79.4 million (2019 – $102.5 million).

Cash used in financing activities

Cash used in financing activities for 2020 consisted of the Company's net repayments on the operating credit facility of $2.2 million (2019 – $17.1 million of net repayments). The Company received net proceeds of nil from the issuance of common shares (2019 – $10.5 million). The Company repaid $45.8 million in convertible debentures (2019 – nil). The Company paid interest on the debentures and credit facilities of $24.6 million (2019 – $28.4 million), paid common share dividends of $51.9 million (2019 – $52.4 million) and repurchased common shares under dividend reinvestment plan of $23.6 million (2019 – $338). The net cash used in financing activities for 2020 was $148.0 million (2019 – $89.9 million used in financing activities).

Cash from (used in) investing activities

Net cash from investing activities in 2020 was $60.2 million (2019 – $4.3 million used in) and consisted of the funding of net mortgage investments of $596.5 million (2019 – $793.0 million), offset by repayments of net mortgage investments of $670.6 million (2019 – $766.1 million), funding of other investments of $22.3 million (2019 – $4.7 million), offset by repayments of other investments of $9.0 million (2019 – $27.6 million), net addition to investment properties of $513 (2019 – $855), and net loss on maturing of forward contracts of $159 (2019 – $451 net proceeds).

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

QUARTERLY FINANCIAL INFORMATION

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

NET INCOME AND COMPREHENSIVE INCOME	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net Investment Income on financial assets measured at amortized cost	**$23,958**	$23,917	$24,023	$24,042	$24,690	$24,772	$24,741	$24,311
Fair value (loss) gain and other income on financial assets measured at FVTPL	**(14,918)**	147	(2,053)	46	517	(30)	236	200
Net rental income	**373**	344	376	360	414	359	351	316
Expenses	**(5,560)**	(4,181)	(4,119)	(4,164)	(3,994)	(3,768)	(4,005)	(4,095)
Income from operations	**3,853**	20,227	18,227	20,284	21,627	21,333	21,323	20,732
Other income, net	**—**	—	—	—	—	—	—	413
Financing costs:								
Financing cost on credit facilities	**(4,397)**	(4,291)	(4,482)	(4,855)	(5,323)	(5,216)	(5,531)	(5,816)
Financing cost on debentures	**(1,919)**	(2,306)	(2,199)	(2,200)	(2,203)	(2,203)	(2,199)	(2,196)
Fair value gain (loss) on derivative contract	**850**	817	197	(5,804)	—	—	—	—
Net (loss) income and comprehensive income	**$(1,613)**	$14,447	$11,743	$ 7,425	$14,101	$13,914	$13,593	$13,133

ADJUSTED NET INCOME AND COMPREHENSIVE INCOME								
Net (loss) income and comprehensive income	**$(1,613)**	$14,447	$11,743	$ 7,425	$14,101	$13,914	$13,593	$13,133
Add: fair value (gain) loss on derivative contract (interest rate swap)	**$ (850)**	(817)	(197)	5,804	—	—	—	—
Add: net unrealized loss (gain) on financial assets measured at FVTPL	**$15,477**	$ 395	$ 2,586	$ 491	$ (489)	$ 669	$ (25)	$ 33
Adjusted net income and comprehensive income[1]	**$13,014**	$14,025	$14,132	$13,720	$13,612	$14,583	$13,568	$13,166

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)	**$ (0.02)**	$ 0.18	$ 0.14	$ 0.09	$ 0.17	$ 0.17	$ 0.16	$ 0.16
Adjusted earnings per share (basic)[1]	**$ 0.16**	$ 0.17	$ 0.17	$ 0.16	$ 0.16	$ 0.18	$ 0.16	$ 0.16
Distributable income per share[1]	**$ 0.18**	$ 0.18	$ 0.18	$ 0.17	$ 0.19	$ 0.19	$ 0.17	$ 0.17

[1] Refer to non-IFRS measures section.

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

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

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

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

RELATED PARTY TRANSACTIONS

As at December 31, 2020, due to Manager mainly includes management and servicing fees payable of $1.1 million (December 31, 2019 - $1.1 million).

During 2020, Arrangement Fees of $472 was retained by the Manager (2019 – nil).

As at December 31, 2020, included in other assets is $14.0 million (December 31, 2019 – $9.0 million) of cash held in trust by Timbercreek Mortgage Servicing Inc. ("TMSI"), the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage and other loan funding holdbacks, repayments and prepaid mortgage interest received from various borrowers.

As at December 31, 2020, the Company has the following mortgage investments which a director of the Company is also an officer and part-owner a syndication partner of these mortgages

- A mortgage investment with a total gross commitment of $11.6 million (December 31, 2019 – nil). The Company's share of the commitment is $931 (December 31, 2019 – nil). For the year ended December 31, 2020, the Company has recognized net interest income of $43 (2019 – nil) from this mortgage investment during the year.

- A mortgage investment with a total gross commitment of $45.7 million (December 31, 2019 – nil). The Company's share of the commitment is $4.2 million (December 31, 2019 – nil). For the year ended December 31, 2020, the Company has recognized net interest income of $87 (2019 – nil) from this mortgage investment during the year.

As at December 31, 2020, 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 1 mortgage (December 31, 2019 – 1) totaling $21.7 million (December 31, 2019 – $22.1 million). The Company's share in this mortgage investment is $6.4 million (December 31, 2019 – $6.6 million).

On March 9, 2020, the Company's former manager, TAMI, sold its equity business to Hazelview Investments Inc ("HII"), in order to focus entirely on its real estate finance strategies. As a result, Four Quadrant Global Real Estate Partners ("4Q"), and Hazelview Global Real Estate Fund are no longer related parties with the Company as they are separately managed by HII.

- As at December 31, 2020, the three parties co-invested in 28 mortgages (December 31, 2019 – 29) and other investments totaling $302.1 million (December 31, 2019 – $349.1 million), on a gross basis including mortgage syndication. The Company's share in these mortgage investments is $162.0 million (December 31, 2019 – $202.9 million).

- One mortgage investment (December 31, 2019 – one) totaling $7.4 million (December 31, 2019 – $18.4 million), net of mortgage syndication, is loaned to a limited partnership in which 4Q has a minimal interest in the partnership.

- As at December 31, 2020, the Company and 4Q invested in one indirect real estate development through one investee, totaling $4.5 million (December 31, 2019 – $4.5 million), the Company's share in this investment is $2.2 million (December 31, 2019 – $2.2 million).

As at December 31, 2020, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling $5.8 million or €3.7 million (December 31, 2019 – $4.9 million or €3.4 million), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.

As part of the Saskatchewan Portfolio co-ownership, the Company, 4Q and a third-party co-owner are party to property management agreements with HII, as successor in interest to TAMI as of March 9, 2020, in respect of such property management agreements. HII provides property and leasing services to each of the properties and is entitled to receive property management and capital improvements service fees (the “Property Management Fees”) at the disclosed rates in the agreements. For the year ended December 31, 2020, Property Management Fees of $40 was charged by the Manager to the Company (Q4 2019 – $140). As at December 31, 2020, $11 was payable to the Manager (December 31, 2019 – $12).

COMMITMENTS AND CONTINGENCIES

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

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

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the Company's consolidated financial statements, Timbercreek Capital Inc. (“Manager”), a subsidiary and as successor in interest to Timbercreek Asset Management Inc. ("TAMI") has made judgements, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties, other than potential effects of the COVID-19 pandemic, that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements.

Beginning March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses; "shelter in place" and other governmental regulations; and reduced consumer spending due to both job losses and other effects attributable to COVID-19 which has resulted in an uncertain and challenging economic environment that could negatively impact the Company’s operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with the Company’s future operating assumptions and expectations as compared to prior periods. As such, it is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company’s estimate of allowance for credit losses and investments measured at FVTPL, both in the short term and in the long term.

The near-term impacts of COVID-19 are primarily with respect to interest collections and mortgage investment discharges. Subsequent to December 31, 2020, the Company collected approximately 99.2% of January and February 2021 interest payments which is materially in line with historical collection rates. As of December 31, 2020 there was one active deferred payment plans related to COVID-19.

The Company reviewed its portfolio of FVTPL loans in light of the continuing impact COVID-19 is having on the economy, capital markets, transaction volumes and lower interest rate environment. In some instances it has identified areas where cash flows in valuation models have been adjusted to reflect longer lease-up periods and repositioning of the assets as well as development delays.

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

Measurement of fair values

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

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

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

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

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

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

Measurement of expected credit loss

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

Syndication liabilities

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

Classification of mortgage and other investments

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

Convertible debentures

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

SIGNIFICANT ACCOUNTING POLICIES

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

OUTSTANDING SHARE DATA

As at March 5, 2021, the Company’s authorized capital consists of an unlimited number of common shares, of which 80,887,433 are issued and outstanding.

CAPITAL STRUCTURE AND LIQUIDITY

Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company believes that the conservative amount of structural leverage gained from the debentures and credit facility is accretive to net earnings, appropriate for the risk profile of the business. The Company anticipates meeting all of its contractual liabilities (described below) using its mix of capital structure and cash flow from operating activities.

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

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

Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. The Company is, and intends to continue to be, qualified as a MIC as defined under Section 130.1(6) of the ITA and, as a result, is required to distribute not less than 100% of the taxable income of the Company to its shareholders. The Company manages its liquidity position through various sources of cash flows including cash generated from operations and credit facilities. The Company has a borrowing ability of $493.6 million through its credit facility – mortgage investments and $30.7 million through its credit facility – investment properties and intends to utilize the credit facility to fund mortgage investments, and other working capital needs. As at December 31, 2020, the Company is in compliance with its credit facilities covenants and expects to remain in compliance going forward.

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

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at December 31, 2020, including expected interest payments:

	Carrying value	Contractual cash flow	Within a year	Following year	3–5 years
Accounts payable and accrued expenses	$ 3,015	$ 3,015	$ 3,015	$ —	$ —
Dividends payable	4,651	4,651	4,651	—	—
Due to Manager	1,089	1,089	1,089	—	—
Mortgage and other loans funding holdbacks	2,177	2,177	2,177	—	—
Prepaid mortgage and other loans interest	3,708	3,708	3,708	—	—
Derivative liability (interest rate swap contract)	3,940	3,940	3,940	—	—
Credit facility (mortgage investments)[1]	458,299	469,637	469,637	—	—
Credit facility (investment properties)[2]	30,656	31,304	31,304	—	—
Convertible debentures[3]	88,962	102,482	4,892	49,012	48,578
	$ 596,497	$ 622,003	$ 524,413	$ 49,012	$ 48,578
Unadvanced mortgage commitments[4]	—	248,589	248,589	—	—
Total contractual liabilities, excluding mortgage syndication liabilities[5]	$ 596,497	$ 870,592	$ 773,002	$ 49,012	$ 48,578

1 Credit facility (mortgage investments) includes interest based upon December 2020 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on December 18, 2021.

2 Credit facility (investment properties) includes interest based upon December 2020 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until its maturities on May 7, 2021 and October 9, 2021.

3 The convertible debentures include interest based on coupon rate on the convertible debentures assuming the outstanding balance is not repaid until its contractual maturities on March 31, 2022 and June 30, 2024.

4 Unadvanced mortgage commitments include syndication commitments of which $144.7 million belong to the Company's syndicated partners.

5 The principal repayments of $429.4 million mortgage syndication liabilities by contractual maturity date is shown net with mortgage investments in note 4(b).

As at December 31, 2020, the Company had a cash position of $428 (December 31, 2019 – $9.0 million), an unutilized credit facility (mortgage investments) balance of $76.2 million (December 31, 2019 – $39.0 million) and an unutilized credit facility (investment properties) balance of nil (December 31, 2019 – nil). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities and the credit facilities.

As at December 31, 2020, unadvanced mortgage commitments under the existing mortgage investments, including mortgage syndications, amounted to $248.6 million (December 31, 2019 – $211.8 million) of which $144.7 million (December 31, 2019 – $81.3 million) belong to the Company’s syndicated partners. The Company expects the syndication partners to fund their respective commitments.

FINANCIAL INSTRUMENTS

Financial assets

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

Financial liabilities

The Company’s accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest, credit facility, convertible debentures, derivative liability (interest rate swap contract) and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of convertible debentures and mortgage syndication liabilities, the fair value of these financial liabilities approximate their carrying amounts due to their short-term nature. The fair value of mortgage syndication liabilities approximate their carrying value given the mortgage investments consist of short-term mortgages that are repayable at the option of the borrower without yield maintenance or penalties. The fair value of the convertible debentures is based on the market trading price of convertible debentures at the reporting date.

RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties that may affect the Company’s future performance and its ability to execute on its investment objectives. We have processes and procedures in place in an attempt to control or mitigate certain risks, while other risks cannot be or are not mitigated. Material risks that cannot be mitigated include a significant decline in the general real estate market, interest rates changing markedly, being unable to make mortgage investments at rates consistent with rates historically achieved, not having adequate mortgage investment opportunities presented to us, change in currency rates and not having adequate sources of bank financing available. There have been no changes to the Company, which may affect the overall risk of the Company.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2020, $1,019.2 million of net mortgage investments and $11.0 million of other investments bear interest at variable rates (December 31, 2019 – $992.3 million and $6.6 million, respectively). As of December 31, 2020 $935.5 million of net mortgage investments have a "floor rate" (December 31, 2019 – $917.2 million). If there were a decrease or increase of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments and other investments to net income and comprehensive income would be a decrease in net income of $78 (December 31, 2019 – $1.3 million) or an increase in net income of $243 (December 31, 2019 – $5.0 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 facilities, which have a balance of $489.5 million as at December 31, 2020 (December 31, 2019 – $491.7 million). During Q4 2019, the Company entered into the Contract (refer to note 6(a) of consolidated financial statements for the years ended December 31, 2020 and 2019) which reduced the exposure in interest rate risk. As at December 31, 2020, net exposure to interest rate risk was $215.3 million (December 31, 2019 – $241.7 million), and assuming it was outstanding for the entire period, a 0.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income by $1.1 million (December 31, 2019 – $1.2 million).

The Company's other assets, interest receivable, accounts payable and accrued expenses, prepaid mortgage interest, mortgage funding holdbacks, dividends payable and due to Manager have no 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 and the debentures have no exposure to interest rate risk due to their fixed interest rate.

Currency risk

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

As at December 31, 2020, the Company has US$5.1 million and €3.7 million in other investments denominated in foreign currencies (December 31, 2019 – US$5.1 million and €3.4 million). The Company has entered into a series of foreign currency contracts to reduce the its exposure to foreign currency risk. As at December 31, 2020, the Company has one thousandth U.S. dollars currency contracts with an aggregate notional value of US$5.1 million, at a weighted average forward contract rate of 1.3251, maturing in April 2021 and one Euro currency contract with an aggregate notional value of €3.5 million at a weighted average contract rate of 1.5685, maturing in April 2021.

The fair value of the foreign currency forward contracts as at December 31, 2020 is an asset of $302 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, 2020 relating to net mortgages and other investments amount to $1,236.3 million (December 31, 2019 – $1,319.6 million).

The Company has recourse under these mortgages and the majority of other investments in the event of default by the borrowers; in which case, the Company would have a claim against the underlying collateral. Management believes that the potential loss from credit risk with respect to cash that is held in trust at a Schedule I bank by the Company's transfer agent and operating cash held also at a Schedule 1 bank, to be minimal.

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

Liquidity risk

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

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company evaluated, or caused to be evaluated under their direct supervision, the design of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")) at December 31, 2020 and, based on that evaluation, have concluded that the design of such disclosure controls and procedures was appropriate.

The Manager is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The CEO and the CFO assessed, or under their direct supervision caused an assessment of, the design of the Company's internal controls over financial reporting as at December 31, 2020 in accordance with the COSO Internal Control – Independent Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment they determined that the design of the Company's internal controls over financial reporting was appropriate.

There were no changes made in our design of internal controls over financial reporting during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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

ADDITIONAL INFORMATION

Dividend Reinvestment Plan

Timbercreek Financial offers a dividend reinvestment plan (DRIP) so that shareholders may automatically reinvest their dividends in new shares of Timbercreek Financial at a 2% discount from market price and with no commissions. This provides an easy way to realize the benefits of compound growth of their investment in Timbercreek Financial. Shareholders can enroll in the DRIP program by contacting their investment advisor or investment dealer.

Phone

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

1-844-304-9967

Internet

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

Mail

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