



CONDENSED INTERIM
CONSOLIDATED
FINANCIAL STATEMENTS

for the Three and Six Months
Ended June 30, 2017



Condensed Interim Consolidated Balance Sheets

Unaudited (in thousands of U.S. dollars)

	Notes	June 30, 2017	December 31, 2016
ASSETS			
Cash		\$ 7,206	\$ 17,780
Amounts receivable		18,181	16,892
Prepaid expenses and deposits	3	4,191	2,599
Investments – Tricon Housing Partners	4, 5	301,378	301,787
Investments – Tricon American Homes	4, 5	766,364	479,938
Investments – Tricon Lifestyle Communities	4, 5	56,929	52,591
Investments – Tricon Luxury Residences	4, 5	79,250	62,410
Intangible assets	10	22,410	24,967
Deferred income tax assets	9	19,330	12,404
Other assets	11	1,246	1,376
Total assets		\$ 1,276,485	\$ 972,744
LIABILITIES			
Amounts payable and accrued liabilities	7	\$ 20,903	\$ 10,892
Dividends payable	12	6,702	5,459
Long-term incentive plan	15	13,246	13,359
Debt	6	301,680	168,857
Deferred income tax liabilities	9	34,103	30,488
Derivative financial instruments	8	37,534	28
Total liabilities		414,168	229,083
Equity			
Share capital	13	713,428	567,677
Contributed surplus		16,574	15,835
Cumulative translation adjustment		18,408	18,711
Retained earnings		101,702	127,691
Total shareholders' equity		850,112	729,914
Non-controlling interest		12,205	13,747
Total equity		862,317	743,661
Total liabilities and equity		\$ 1,276,485	\$ 972,744

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

Approved by the Board of Directors

David Berman

Michael Knowlton

Condensed Interim Consolidated Statements of Comprehensive Income

Unaudited (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars, unless otherwise indicated)

	Notes	For the three months ended		For the six months ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue					
Contractual fees	17	\$ 5,673	\$ 5,588	\$ 11,081	\$ 11,056
General partner distributions	17	331	327	664	632
Performance fees	17	355	101	358	101
		6,359	6,016	12,103	11,789
Investment income					
Investment income – Tricon Housing Partners	16, 17	6,568	4,928	12,236	11,329
Investment income (loss) – Tricon American Homes	16, 17	(1,954)	13,079	10,315	25,989
Investment income – Tricon Lifestyle Communities	16, 17	1,613	1,399	3,932	1,881
Investment income – Tricon Luxury Residences	16, 17	2,847	788	4,778	2,707
		9,074	20,194	31,261	41,906
		15,433	26,210	43,364	53,695
Expenses					
Compensation expense	15	9,773	5,424	14,985	10,163
General and administration expense		2,053	1,801	3,913	3,208
Interest expense		6,478	3,094	9,794	5,654
Net change in fair value of derivative financial instruments	8	19,151	(2,403)	23,318	(3,328)
Transaction costs		980	571	1,916	1,696
Amortization expense		1,378	1,429	2,779	2,999
Realized and unrealized foreign exchange (gain) loss		(1,822)	451	(1,118)	1,956
		37,991	10,367	55,587	22,348
Income (loss) before income taxes		(22,558)	15,843	(12,223)	31,347
Income tax expense (recovery) – current	9	1,573	(714)	2,691	854
Income tax expense (recovery) – deferred	9	(2,488)	2,235	(1,026)	3,314
Net income (loss)		\$ (21,643)	\$ 14,322	\$ (13,888)	\$ 27,179
Attributable to:					
Shareholders of Tricon		\$ (21,663)	\$ 14,325	\$ (13,792)	\$ 27,559
Non-controlling interest		20	(3)	(96)	(380)
Net income (loss)		\$ (21,643)	\$ 14,322	\$ (13,888)	\$ 27,179
Other comprehensive income (loss)					
<i>Items that will be reclassified subsequently to net income</i>					
Cumulative translation reserve		(908)	(173)	(303)	(1,662)
Comprehensive income (loss) for the period		\$ (22,551)	\$ 14,149	\$ (14,191)	\$ 25,517
Attributable to:					
Shareholders of Tricon		\$ (22,571)	\$ 14,152	\$ (14,095)	\$ 25,897
Non-controlling interest		20	(3)	(96)	(380)
Comprehensive income (loss) for the period		\$ (22,551)	\$ 14,149	\$ (14,191)	\$ 25,517
Basic earnings (loss) per share attributable to shareholders of Tricon					
		\$ (0.17)	\$ 0.13	\$ (0.12)	\$ 0.25
Diluted earnings (loss) per share attributable to shareholders of Tricon					
		\$ (0.17)	\$ 0.11	\$ (0.11)	\$ 0.22
Weighted average shares outstanding – basic					
	14	125,490,567	112,491,380	119,454,548	112,436,772
Weighted average shares outstanding – diluted					
	14	128,153,242	123,124,591	121,991,068	123,045,132

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

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited (in thousands of U.S. dollars)

	Notes	Share capital	Contributed surplus	Cumulative translation adjustment	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
Balance at January 1, 2017		\$ 567,677	\$ 15,835	\$ 18,711	\$ 127,691	\$ 729,914	\$ 13,747	\$ 743,661
Net loss		-	-	-	(13,792)	(13,792)	(96)	(13,888)
Cumulative translation reserve		-	-	(303)	-	(303)	-	(303)
Distributions to non-controlling interest		-	-	-	-	-	(1,446)	(1,446)
Dividends/Dividend reinvestment plan	12	2,300	-	-	(12,197)	(9,897)	-	(9,897)
Debentures conversion	13	28	-	-	-	28	-	28
Bought deal offering	13	141,140	-	-	-	141,140	-	141,140
Stock options	15	386	316	-	-	702	-	702
Deferred share units	15	1,897	423	-	-	2,320	-	2,320
Balance at June 30, 2017		\$ 713,428	\$ 16,574	\$ 18,408	\$ 101,702	\$ 850,112	\$ 12,205	\$ 862,317
Balance at January 1, 2016		\$ 561,347	\$ 9,812	\$ 20,098	\$ 90,813	\$ 682,070	\$ 15,932	\$ 698,002
Net income (loss)		-	-	-	27,559	27,559	(380)	27,179
Cumulative translation reserve		-	-	(1,662)	-	(1,662)	-	(1,662)
Distributions to non-controlling interest		-	-	-	-	-	(1,028)	(1,028)
Dividends/Dividend reinvestment plan	12	1,986	-	-	(11,224)	(9,238)	-	(9,238)
Repurchase of common shares	13	(1,115)	-	-	(337)	(1,452)	-	(1,452)
Bought deal offering	13	1,362	-	-	-	1,362	-	1,362
Stock options	15	-	494	-	-	494	-	494
Deferred share units	15	768	456	-	-	1,224	-	1,224
Balance at June 30, 2016		\$ 564,348	\$ 10,762	\$ 18,436	\$ 106,811	\$ 700,357	\$ 14,524	\$ 714,881

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

Condensed Interim Consolidated Statements of Cash Flows

Unaudited (in thousands of U.S. dollars)

For the six months ended	Notes	June 30, 2017	June 30, 2016
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income (loss)		\$ (13,888)	\$ 27,179
Adjustments for non-cash items			
Amortization expense	10, 11	2,779	2,999
Deferred income taxes	9	(1,026)	3,314
Long-term incentive plan	15	584	1,840
Annual incentive plan	15	7,233	1,664
Amortization of debenture discount and issuance costs	6	2,312	1,102
Accrued investment income – Tricon Housing Partners	5, 16	(12,236)	(11,329)
Accrued investment income – Tricon American Homes	5, 16	(10,315)	(25,989)
Accrued investment income – Tricon Lifestyle Communities	5, 16	(3,932)	(1,881)
Accrued investment income – Tricon Luxury Residences	5, 16	(4,778)	(2,707)
Net change in fair value of derivative financial instruments	8	23,318	(3,328)
Unrealized foreign exchange gain		(4,386)	(2,467)
Distributions to non-controlling interest		(1,446)	(1,028)
Advances made to investments	5	(348,554)	(111,564)
Distributions received from investments	5	72,620	53,797
		(291,715)	(68,398)
Changes in non-cash working capital items	20	7,130	(10,490)
Net cash (used in) provided by operating activities		(284,585)	(78,888)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements	11	(137)	(434)
Net cash (used in) provided by investing activities		(137)	(434)
Financing activities			
Issuance of common shares – net of issuance costs and deferred tax recovery	13	139,086	247
Proceeds from (repayment of) revolving term credit facility	6	(20,750)	91,750
Issuance of convertible debentures – net of deferred financing costs	6	164,556	–
Dividends paid	12	(8,769)	(8,519)
Net cash (used in) provided by financing activities		274,123	83,478
Effect of foreign exchange rate difference on cash		25	46
Change in cash during the period		(10,574)	4,202
Cash – beginning of period		17,780	4,493
Cash – end of period		\$ 7,206	\$ 8,695
Supplementary information			
Cash paid on			
Income taxes		\$ 3,114	\$ 3,992
Interest		\$ 2,042	\$ 3,246

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

Notes to the Condensed Interim Consolidated Financial Statements

for the three and six months ended June 30, 2017

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

1. Nature of business

Tricon Capital Group Inc. (“Tricon” or the “Company”) is a principal investor and asset manager focused on the residential real estate industry in North America. In the principal investment portfolios, the Company primarily invests through Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences. In Private Funds and Advisory, the Company manages, on behalf of private investors, commingled funds, side-cars and separate investment accounts that invest in the development of real estate in North America and generate contractual fee income for the Company.

Tricon was incorporated on June 16, 1997 under the Business Corporations Act (Ontario) and its head office is located at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company is domiciled in Canada. Tricon became a public company on May 20, 2010, and its common shares are listed on the Toronto Stock Exchange (TSX) (symbol: TCN).

These condensed interim consolidated financial statements were approved for issue on August 8, 2017 by the Board of Directors of Tricon.

2. Summary of significant accounting policies

The following is a summary of the significant accounting policies applied in the preparation of these condensed interim consolidated financial statements.

Basis of preparation and measurement

The condensed interim consolidated financial statements are prepared on a going-concern basis and have been presented in U.S. dollars, which is also the Company's functional currency. All financial information is presented in thousands of U.S. dollars except where otherwise indicated.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They should be read in conjunction with the annual Audited Financial Statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost basis except for (i) investments in Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences and (ii) derivative financial instruments, which are recorded at fair value through profit or loss (“FVTPL”).

The Company presents its consolidated balance sheet with its assets and liabilities in decreasing order of liquidity. The notes to the condensed interim consolidated financial statements provide information on the Company's current assets and current liabilities (Note 18). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

Accounting standards adopted in the current year

International Accounting Standard (“IAS”) 12 was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations.

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations.

Accounting standards and interpretations issued but not yet adopted

IFRS 9, Financial Instruments (“IFRS 9”), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (“OCI”). Where equity instruments are measured at fair value through OCI, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated OCI indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”), except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss are generally recorded in OCI.

IFRS 9 was amended in November 2013 to (i) include guidance on hedge accounting, and (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9). IFRS 9 will be effective on January 1, 2018.

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. Amendments to IFRS 15 were issued in April 2016 to clarify the guidance on identifying performance obligations, licenses of intellectual property and principal versus agent, and to provide additional practical expedients on transition. These amendments are effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and six months ended June 30, 2017

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

On January 13, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which will replace IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

In June 2016, the IASB issued an amendment to IFRS 2, Share-Based Payments, addressing (i) certain issues to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company. The Company is currently reviewing new standards to assess the impact they may have upon adoption.

3. Prepaid expenses and deposits

(in thousands of U.S. dollars)

	June 30, 2017	December 31, 2016
Deposits for office building	\$ 3,714	\$ 2,155
Other prepaid expenses and deposits	477	444
Total prepaid expenses and deposits	\$ 4,191	\$ 2,599

4. Investments

Investments – Tricon Housing Partners ("THP") are land and homebuilding investments or co-investments in funds, separate accounts and side-car investments managed by the Company.

Investments – Tricon American Homes ("TAH") are investments in operating entities which invest in U.S. single-family rental homes. The investments are managed through an integrated business platform managed by the operating entity, which is responsible for the acquisition, renovation and leasing of the homes.

On May 9, 2017, TAH completed its acquisition of Silver Bay Realty Trust Corp. ("Silver Bay"), a New York Stock Exchange-listed U.S. single-family rental Real Estate Investment Trust with 9,054 homes. This acquisition is a highly complementary portfolio to that of TAH given its focus on the Sun Belt and middle market strategy. The \$21.50 per share all-cash transaction valued Silver Bay at approximately \$1.4 billion (before transaction costs), which included an equity purchase price of approximately \$808,000 and in-place debt (net of cash on hand) of approximately \$628,000.

Total advances to the Company's investment in TAH include \$242,228 to effect the acquisition of Silver Bay.

Investments – Tricon Lifestyle Communities ("TLC") are investments in U.S. manufactured housing communities that lease land to owners of prefabricated homes.

Investments – Tricon Luxury Residences ("TLR") are investments in Canadian and U.S. Class A multi-family rental developments.

The Company makes these investments via equity investments and loan advances. Advances made to investments are added to the carrying value when paid; distributions from investments are deducted from the carrying value when received. The following is a summary of the composition of the Company's investments:

	June 30, 2017			December 31, 2016		
	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
(in thousands of U.S. dollars)						
Investments – THP						
U.S. commingled funds	\$ –	\$ 125,076	\$ 125,076	\$ –	\$ 137,004	\$ 137,004
Canadian commingled funds	–	9,662	9,662	–	9,537	9,537
Separate accounts and side-cars	21,608	145,032	166,640	21,101	134,145	155,246
	21,608	279,770	301,378	21,101	280,686	301,787
Investments – TAH	4,000	762,364	766,364	–	479,938	479,938
Investments – TLC	–	56,929	56,929	–	52,591	52,591
Investments – TLR	–	79,250	79,250	–	62,410	62,410
Total	\$ 25,608	\$ 1,178,313	\$ 1,203,921	\$ 21,101	\$ 875,625	\$ 896,726

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and six months ended June 30, 2017

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

The underlying loan instruments within the Company's Tricon Housing Partners investments, if utilized, are denominated in U.S. dollars and bear interest at rates between 9.95% and 11.95%, compounded monthly.

The underlying loan instrument within the Company's Tricon American Homes investment is denominated in U.S. dollars and is non-interest bearing.

Each investment vertical may utilize debt in order to finance normal business operations, with the debt secured by the underlying assets of the related investment. The Company has provided specific guarantees to the lenders of the TAH warehouse facility, the TLC mortgages and the TLR land and construction loans, on a non-recourse basis subject only to specific carved-out events in the case of the TAH and TLC guarantees.

The following tables summarize the balances in the investment funds that are managed by Tricon, presented in the functional currency of the fund:

(in thousands of dollars)

THP Investments	Currency	Tricon commitment	Advances	Unfunded commitment	Project fees	Cash distributions	Total distributions	Investments at fair value ²
As at June 30, 2017¹								
THP1 US ^{3,4}	USD	\$ 226,775	\$ 269,676	\$ 10,975	\$ -	\$ 267,719	\$ 267,719	\$ 98,254
THP2 US	USD	25,000	20,370	4,630	-	28	28	26,822
THP US SP1 LP	USD	6,330	5,331	999	354	322	676	5,941
THP US SP2 LP	USD	5,760	4,905	855	30	115	145	4,988
Cross Creek Ranch	USD	14,400	12,484	1,916	5,968	12,600	18,568	7,450
Fulshear Farms	USD	5,000	3,255	1,745	689	-	689	3,269
Grand Central Park	USD	9,785	8,526	1,259	3,108	1,598	4,706	9,766
Trilogy at Verde River	USD	10,350	8,748	1,602	3,014	-	3,014	11,393
Viridian	USD	25,400	26,860	1,047	2,403	4,900	7,303	23,473
Trinity Falls	USD	91,750	73,865	17,885	579	-	579	80,838
Side-cars	USD	23,613	17,190	6,423	4,634	429	5,063	19,522
Total USD investments		\$ 444,163	\$ 451,210	\$ 49,336	\$ 20,779	\$ 287,711	\$ 308,490	\$ 291,716
THP3 Canada	CAD	20,000	11,898	8,102	-	2,368	2,368	9,662
Total CAD investments		\$ 20,000	\$ 11,898	\$ 8,102	\$ -	\$ 2,368	\$ 2,368	\$ 9,662
Investments - THP								\$ 301,378

As at December 31, 2016¹

THP1 US ^{3,4}	USD	\$ 226,775	\$ 269,676	\$ 10,975	\$ -	\$ 248,834	\$ 248,834	\$ 111,744
THP2 US	USD	25,000	19,774	5,226	-	-	-	25,260
THP US SP1 LP	USD	6,330	5,298	1,032	155	-	155	5,839
Cross Creek Ranch	USD	14,400	12,484	1,916	5,724	11,808	17,532	8,364
Fulshear Farms	USD	5,000	3,255	1,745	650	-	650	3,269
Grand Central Park	USD	9,785	8,213	1,572	2,758	1,249	4,007	9,341
Trilogy at Verde River	USD	10,350	8,375	1,975	2,603	-	2,603	10,641
Viridian	USD	25,400	25,460	1,047	1,785	3,500	5,285	23,472
Trinity Falls	USD	91,750	73,865	17,885	209	-	209	77,195
Side-cars	USD	17,880	15,135	2,745	3,907	-	3,907	17,125
Total USD investments		\$ 432,670	\$ 441,535	\$ 46,118	\$ 17,791	\$ 265,391	\$ 283,182	\$ 292,250
THP3 Canada	CAD	20,000	11,898	8,102	-	2,368	2,368	9,537
Total CAD investments		\$ 20,000	\$ 11,898	\$ 8,102	\$ -	\$ 2,368	\$ 2,368	\$ 9,537
Investments - THP								\$ 301,787

(1) Commitment, unfunded commitment, advances and distributions are shown in fund or separate account originating currency.

(2) Investments at fair value as of June 30, 2017 and December 31, 2016 are shown in thousands of U.S. dollars.

(3) \$226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was \$260,500.

(4) The cumulative actual cash distributions received from THP1 US was reduced by \$8,810 of withholding tax.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and six months ended June 30, 2017

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

5. Fair value estimation

In the fair value hierarchy, the level in which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of the input is assessed against the fair value measurement. Assessing the significance of a particular input to the fair value measurement requires judgment, considering factors specific to the asset or liability.

The following describes the categories within the fair value hierarchy:

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 or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The following table provides information about financial assets and liabilities measured at fair value on the balance sheet and categorized by level according to the significance of the inputs used in making the measurements:

(in thousands of U.S. dollars)	June 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – THP						
U.S. commingled funds	\$ –	\$ –	\$ 125,076	\$ –	\$ –	\$ 137,004
Canadian commingled funds	–	–	9,662	–	–	9,537
Separate accounts and side-cars	–	–	166,640	–	–	155,246
	–	–	301,378	–	–	301,787
Investments – TAH	–	–	766,364	–	–	479,938
Investments – TLC	–	–	56,929	–	–	52,591
Investments – TLR	–	–	79,250	–	–	62,410
	\$ –	\$ –	\$ 1,203,921	\$ –	\$ –	\$ 896,726
Financial liabilities						
Derivative financial instruments (Note 8)	\$ –	\$ 37,534	\$ –	\$ –	\$ 28	\$ –

There have been no transfers between levels for the six months ended June 30, 2017.

Financial assets valuation methodologies

The Company's Valuation Committee is responsible for fair value measurements included in the financial statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Valuation Committee at least once every quarter, in line with the Company's quarterly reporting dates. The Valuation Committee consists of individuals who are knowledgeable and have experience in the fair value techniques for the investments held by the Company. The Valuation Committee decides on the appropriate valuation methodologies for new investments and contemplates changes in the valuation methodology for existing investments. Additionally, the Valuation Committee analyzes the movements in each investment's value, which involves assessing the validity of the inputs applied in the valuation. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

The Company used the following techniques to determine the fair value measurements included in the financial statements categorized in Level 3:

Investments – Tricon Housing Partners

Tricon establishes wholly-owned subsidiaries that invest in limited partnerships as a limited partner. The investments are measured at fair value as determined by the Company's proportionate share of the fair value of each limited partnership's net assets at each measurement date. The fair values of each limited partnership's net assets are calculated by determining the fair values of the underlying projects using discounted cash flows, appraised values or share prices as reported on the appropriate stock exchange.

In addition to the investments in limited partnerships, the Company invests in separate accounts and side-car investments through limited partnerships with other third parties. Tricon's ownership interests in these investments are held through the Company's wholly-owned subsidiaries. The investments are measured at fair value as determined by the waterfall distribution calculations specified in the relevant limited partnership agreement. The inputs into the waterfall distribution calculations include the fair value of the land and working capital held by the limited partnerships. The fair value of the land is based on appraisals prepared by an external third-party valuator or on internal valuations.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and six months ended June 30, 2017

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

A side-car is a co-investment vehicle under common sponsorship with a Tricon fund. Tricon's ownership interests in the side-cars are held through the Company's wholly-owned subsidiaries. A side-car generally participates in larger investment opportunities provided by the fund sponsor or general partner. The measurement and valuation methodologies for side-cars are the same as those for the limited partnership investments.

Quantitative information about fair value measurements of the investments uses the following significant unobservable inputs (Level 3):

Description	Valuation technique(s)	Significant unobservable input	Range of inputs	Weighted average of inputs	Other inputs and key information
Debt investments	Net asset value, determined using discounted cash flow	a) Discount rate ¹ b) Future cash flow ²	10.0% – 12.0% 3 – 5 years	11.5% 4.0 years	Estimated probability of default
Equity investments	Net asset value, determined using discounted cash flow	a) Discount rate ¹ b) Future cash flow ²			Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate.
Commingled funds					
THP1 US			12.5% – 20.0% 1 – 3 years	14.9% 2.5 years	U.S. funds: Lower of 20% and the expected return for the project, subsequently adjusted downward as development risk is mitigated over project life.
THP2 US			12.5% – 20.0% 1 – 7 years	15.7% 1.7 years	
THP3 Canada			8.0% – 18.0% 2 – 9 years	10.9% 3.7 years	Canadian funds: Discounted at contractual interest rate; may include contingent interest cash flows (received when developers' project returns exceed the underlying contractual interest), which is discounted using the same method as U.S. funds.
Separate accounts and side-cars	Waterfall distribution model	a) Discount rate ¹ b) Future cash flow ² c) Appraised value ³	17.0% – 25.0% 2 – 21 years	N/A ³ 12.7 years	Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate. Price per acre of land, timing of project funding requirements and distributions.

(1) Generally, an increase in future cash flow will result in an increase in the fair value of debt instruments and fund equity investments. An increase in the discount rate will result in a decrease in the fair value of debt instruments and fund equity investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(2) Estimating future cash flows involves modelling developers' cash flows to determine the quantum and timing of project funding requirements and cash distributions to the investment vehicle. Estimates of developers' cash flows are based on detailed quarterly and annual budgets and include estimates of construction and development costs, anticipated selling prices and absorption ratios for each project.

(3) On an annual basis, the Company obtains external valuations for its separate account equity and side-car investments. As at December 31, 2016, the external valuations for Tricon's interest in eight separate account equity and side-car investments totaled \$51,112. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant input within the appraised value is the value of land per acre. Management has assessed whether any market changes have occurred subsequent to the date of valuation and has determined that the value remained valid at June 30, 2017.

Sensitivity

The effects on the fair value of Investments – Tricon Housing Partners of a 1% change in the discount rates are as follows:

(in thousands of dollars)	Currency	June 30, 2017		December 31, 2016	
		1% increase	1% decrease	1% increase	1% decrease
U.S. commingled funds	USD	\$ (998)	\$ 1,021	\$ (1,342)	\$ 1,377
Canadian commingled funds	CAD	(238)	246	(258)	269
Separate accounts and side-cars ¹	USD	(1,351)	1,391	(1,673)	1,724

(1) This balance includes both loan and equity investments including THP US SP1 and THP US SP2. All of these investments have been revalued as of June 30, 2017 with the exception of the equity interests in eight separate account and side-car investments. As at December 31, 2016, the Company obtained external valuations for these eight equity investments (excluding THP US SP1 and THP US SP2). Management has assessed whether any market changes have occurred subsequent to the date of valuation and has determined that the value remained valid as at June 30, 2017.

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Investments – Tricon American Homes

All of the Company's investments in TAH limited partnerships are held through a wholly-owned subsidiary, Tricon SF Home Rental Inc., which is recorded at fair value. The fair value of the Company's investment in Tricon SF Home Rental Inc. is calculated based on Tricon's proportionate share of each entity's fair value of net assets. The fair value of net assets of the various entities is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Home values typically do not change materially in the short term, and capital expenditures generally do not significantly impact values in the first three months after purchase. As a result, homes acquired in the current quarter are recorded at their purchase price plus the cost of capital expenditures, if applicable. Homes acquired prior to April 1, 2017 were valued at May 31, 2017. Homes acquired through the Silver Bay acquisition were held at cost given the close proximity of the transaction date and the valuation date. Management has assessed the impact of any market changes that have occurred subsequent to the date of valuation and has determined that values were valid at June 30, 2017.

During the quarter, the Broker Price Opinion ("BPO") valuation methodology was used to determine the fair value of 833 of TAH's rental properties excluding those acquired through the Silver Bay transaction. The remainder of the rental properties, including those previously valued by BPO, had their values updated using the Home Price Index ("HPI") methodology. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Twelve-month trailing HPI was used where the quarterly HPI change was determined by averaging the index movement over the past twelve months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties. The data used to fair value the rental properties is specific to the zip code in which the property is located.

In addition to the investment properties generating rental income, a small percentage of the investment properties are held for sale ("for sale homes"). These for sale homes were originally purchased as rental properties but subsequently selected for sale through the investee's active asset management process. All for sale homes are valued at fair value less cost to sell.

Debt

TAH's credit facility operates based on a variable interest rate of one-month LIBOR plus 300 basis points with a 0.25% LIBOR floor. The credit facility matures on August 11, 2017 with a one-year extension, and TAH is currently reviewing the extension option. The balance drawn as at June 30, 2017 was \$74,000.

TAH is indebted in the amount of \$340,000 under its first securitization loan ("TAH 2015-1") and \$363,000 under its second securitization loan ("TAH 2016-1"). The securitization transactions involved the issuance and sale of single-family rental pass-through certificates that represent beneficial ownership interests in loans secured by a portion of TAH's portfolio of single-family properties. Interest only payments are required on the TAH 2015-1 loan at a weighted average interest rate of one-month LIBOR plus 196 basis points per annum, subject to a 3.955% cap on the LIBOR rate. The one-month LIBOR during the six months ended June 30, 2017 ranged from 0.77% to 1.06%. All outstanding principal and interest shall be paid in full prior to maturity on May 9, 2018. Interest only payments are required on the TAH 2016-1 loan at a fixed weighted average interest rate of 3.59% per annum, and all outstanding principal and interest shall be paid in full prior to maturity on November 6, 2021.

TAH financed the Silver Bay acquisition through equity contributions from Tricon and a dedicated credit facility of \$1.2 billion from Deutsche Bank AG ("Silver Bay acquisition warehouse facility"). The Silver Bay acquisition warehouse facility bears interest at a blended rate of one-month LIBOR plus 326 basis points per annum. The Silver Bay acquisition warehouse facility matures on May 9, 2018 with two six-month extension options, is guaranteed by the Company on a non-recourse basis subject only to certain "bad boy" acts, and is subject to customary financial and non-financial covenants.

Sensitivity

As of June 30, 2017, TAH and the Company as its sponsor are in compliance with the financial covenants and other undertakings outlined in the loan agreements. The one-month LIBOR during the six months ended June 30, 2017 ranged from 0.77% to 1.06%. If interest rates had been 50 basis points lower, with all other variables held constant, investment income in TAH for the six months ended June 30, 2017 would have been \$1,782 (2016 – \$1,641) higher. At June 30, 2017, if interest rates had been 50 basis points higher, with all other variables held constant, investment income in TAH for the six months ended June 30, 2017 would have been \$1,782 (2016 – \$1,183) lower.

If the prices of single-family rental homes held by the TAH limited partnerships were to increase or decrease by 1% (December 31, 2016 – 1%), the impact on investments in TAH fair value at June 30, 2017 would be \$26,764 and (\$26,764), respectively (December 31, 2016 – \$12,099 and (\$12,099)).

The weighted average of the quarterly HPI change was 1.2%. If the change in the quarterly HPI increased or decreased by 0.5%, the impact on investments in TAH fair value at June 30, 2017 would be \$5,355 and (\$5,355), respectively (December 31, 2016 – \$5,614 and (\$5,614)).

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Investments – Tricon Lifestyle Communities

The Company's investment in Tricon Lifestyle Communities is held through a wholly-owned subsidiary, Tricon Manufactured Housing Communities LLC, which carries the investment at fair value. The fair value of the Company's investment is estimated based on the Company's proportionate share of the net assets of the TLC limited partnership. The fair value of the net assets is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Since all variables impacting fair value of the investment property, such as rental growth, expense inflation and the impact of future capital expenditures, generally do not change significantly in the first twelve months after acquisition, investments are recorded at cost for the first twelve months after acquisition. As a result, these properties are recorded at their purchase price plus the cost of capital expenditures. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

The Company fair values the TLC properties using a discounted cash flow methodology. The fair value is determined based on rental income from the current leases and assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property based on reliable estimates of the terminal year net operating income ("NOI"), supported by the terms of existing leases and assumptions of future leases, and market capitalization rates of comparable precedent transactions within each market.

The Company also takes into account the carried interest payable to the minority partner of the underlying limited partnership in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the limited partnership agreement and may result in the payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnership would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years. Working capital of the limited partnership approximates fair value.

Sensitivity

Since the rate of interest on borrowings incurred by Tricon Lifestyle Communities is fixed, Investment income – Tricon Lifestyle Communities for the period would not change due to interest rate fluctuations.

TLC's fair value measurements of its investments are based on significant unobservable inputs, including discount rates and future cash flows. At June 30, 2017, an increase of 1% in the discount rate results in a decrease in fair value of (\$6,272), and a decrease of 1% in the discount rate results in an increase in fair value of \$5,147 (December 31, 2016 – (\$3,557) and \$2,475, respectively).

Investments – Tricon Luxury Residences

The Company's investment in TLR Canada is held through a wholly-owned subsidiary, Tricon Luxury Residences Co-Investment Inc. Its investment in TLR U.S. is held through a wholly-owned subsidiary, Tricon SLR US Multifamily LLC. Both subsidiaries carry their investments at fair value. The fair values of the investments in TLR are estimated based on the subsidiaries' proportionate share of the net assets of TLR limited partnerships. The fair value of the net assets is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

TLR Canada fair values its properties based on an external appraisal performed annually as of November 30 of each year. The fair value is determined based on active market prices (including, but not limited to, dollar value per square foot), adjusted (if necessary) for differences in the nature, location or condition of the asset, as well as assumptions about the recoverability of development costs. Management has assessed whether any significant market changes have occurred subsequent to the date of prior valuation and has determined that the value remained unchanged at June 30, 2017.

TLR U.S. fair values its properties using a discounted cash flow methodology. The fair value is determined based on assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property based on reliable estimates of the terminal year net operating income ("NOI"), supported by the assumptions of future leases, and market capitalization rates of comparable precedent transactions within each market.

Sensitivity

TLR U.S.' fair value measurements of its investments are based on significant unobservable inputs, including discount rates and future cash flows. An increase of 1% in the discount rate results in a decrease in fair value of (\$1,113), and a decrease of 1% in the discount rate results in an increase in fair value of \$1,147 (December 31, 2016 – (\$1,272) and \$1,316, respectively).

TLR Canada's income is largely based on the fair value of appraised assets held for development at year-end. As at June 30, 2017, an increase of 5% of the appraised value per square foot would result in an increase in fair value of \$528, and a decrease of 5% of the appraised value would result in a decrease in fair value of (\$528) (December 31, 2016 – \$510 and (\$510), respectively).

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Continuity of investments

The following presents the changes in Level 3 instruments for the six months ended June 30, 2017 and December 31, 2016:

THP

(in thousands of U.S. dollars)

	June 30, 2017	December 31, 2016
Opening balance	\$ 301,787	\$ 303,782
Advances made to investments	9,675	88,562
Distributions received from investments	(22,320)	(118,107)
Investment income	12,236	27,550
Ending balance	\$ 301,378	\$ 301,787
Unrealized fair value gain included in net income on investments still held	12,236	27,550

TAH

(in thousands of U.S. dollars)

	June 30, 2017	December 31, 2016
Opening balance	\$ 479,938	\$ 426,030
Advances made to investments	326,411	98,378
Distributions received from investments	(50,300)	(94,551)
Investment income	10,315	50,081
Ending balance	\$ 766,364	\$ 479,938
Unrealized fair value gain included in net income on investments still held	10,315	50,081

TLC

(in thousands of U.S. dollars)

	June 30, 2017	December 31, 2016
Opening balance	\$ 52,591	\$ 19,153
Advances made to investments	406	28,330
Investment income	3,932	5,108
Ending balance	\$ 56,929	\$ 52,591
Unrealized fair value gain included in net income on investments still held	3,932	5,108

TLR

(in thousands of U.S. dollars)

	June 30, 2017	December 31, 2016
Opening balance	\$ 62,410	\$ 19,582
Advances made to investments	12,062	40,762
Investment income	4,778	2,066
Ending balance	\$ 79,250	\$ 62,410
Unrealized fair value gain included in net income on investments still held	4,778	2,066

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Financial liabilities valuation methodologies

Derivative financial instruments relate to the conversion and redemption features of the convertible debentures and are valued using model calibration, as discussed in Note 8. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Quantitative information about fair value measurements (Level 2) using significant observable inputs other than quoted prices included in Level 1 is as follows:

	June 30, 2017		December 31, 2016	
	2020 convertible debentures	2022 convertible debentures	2020 convertible debentures	2022 convertible debentures
Risk-free rate ¹	1.52%	1.94%	1.28%	N/A
Stock price ²	C\$11.62	C\$11.62	C\$9.46	N/A
Implied volatility ³	23.27%	23.27%	19.05%	N/A
Dividend yield ⁴	2.29%	2.29%	2.95%	N/A

(1) Risk-free rates were from the Canadian dollar swap curves matching the terms to maturity of the debentures.

(2) Closing price of the stock as of the valuation date.

(3) Implied volatility was computed from the trading volatility of the Company's stock.

(4) Dividend yields were from the forecast dividend yields matching the terms to maturity of the debentures.

Cash, amounts receivable, amounts payable and accrued liabilities (including interest payable), dividends payable, other liabilities and revolving term credit facility are measured at cost, since their carrying values are a reasonable approximation of fair value due to their short-term nature.

6. Debt

(in thousands of U.S. dollars)

	June 30, 2017	December 31, 2016
Revolving term credit facility	\$ 93,000	\$ 113,750
Convertible debentures	208,680	55,107
Total debt	\$ 301,680	\$ 168,857

As at June 30, 2017, the outstanding balance of the revolving term credit facility was \$93,000 (December 31, 2016 – \$113,750). During the six months ended June 30, 2017, the Company paid interest on debt in the amount of \$2,042 (2016 – \$3,246).

Revolving term credit facility

The Company has access to a \$365,000 revolving term credit facility (the "Facility"). The Facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The Facility has a maturity date of June 30, 2020. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company.

During the first six months of 2017, the minimum balance drawn on the Facility was nil, and the maximum amount drawn was \$163,000.

Advances under the Facility are available by way of Prime, USBR and LIBOR loans as well as Banker's Acceptances. The applicable margin on advances is determined in reference to the senior funded debt-to-EBITDA ratio and is added to the applicable loan reference rate as follows: Prime and USBR loans range from 225 to 300 basis points above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 325 to 400 basis points above the respective reference rate. Standby fees ranging from 81.25 to 100.00 basis points of the unutilized portion of the total commitment are payable, with reference to the funded debt-to-EBITDA ratio, on a quarterly basis. The Facility total interest expense incurred for the six months ended June 30, 2017 amounted to \$2,829 (2016 – \$2,289), which included standby charges of \$720 (2016 – \$691). The weighted average interest rate during the six months was 4.31%.

The Facility agreement requires the Company to maintain the following covenants: (i) a senior funded debt-to-EBITDA ratio of 4.25:1 for each fiscal quarter prior to June 30, 2018; 3.75:1 for each fiscal quarter ending between July 1, 2018 and June 30, 2019; and 3.25:1 for each fiscal quarter ending thereafter; (ii) a minimum interest coverage ratio of 1.25:1 for each fiscal quarter ending prior to December 31, 2018; 1.40:1 for each fiscal quarter ending between January 1, 2019 and December 31, 2019; and 1.50:1 for each fiscal quarter ending thereafter; and (iii) a consolidated total funded debt-to-capital not to exceed 55%. The Company was in compliance with each of the covenants of the Facility.

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Convertible debentures

On March 17, 2017, the Company completed the offering, on a bought deal basis, of \$172,500 aggregate principal amount of 5.75% extendible convertible unsecured debentures (the "2022 convertible debentures"), including \$22,500 aggregate principal amount of 2022 convertible debentures issued pursuant to the exercise of underwriters' over-allotment options. The net offering proceeds to the Company were \$164,556 after transaction costs of \$7,944. The 2022 convertible debentures were classified as a short-term other liability as at March 31, 2017, given that their initial maturity date fell within the twelve months of their issuance.

Upon the closing of the acquisition of Silver Bay on May 9, 2017, the 2022 convertible debentures became convertible to common shares of the Company in accordance with their terms, and their maturity date was extended to March 31, 2022. In accordance with IAS 39, the conversion and redemption features of the 2022 convertible debentures were measured separately from the 2022 convertible debentures, and these amounts have been classified to derivative financial instruments and debt, respectively.

The 2022 convertible debentures bear interest at 5.75% per annum, which is payable semi-annually in arrears in March and September, and are convertible into common shares of the Company at a conversion rate of 95.6023 common shares per \$1,000 principal amount of 2022 convertible debentures (equivalent to a conversion price of approximately \$10.46 per common share (equivalent to C\$13.57 as of June 30, 2017)).

The 2022 convertible debentures may not be redeemed by the Company prior to March 31, 2020, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after March 31, 2020 and prior to March 31, 2021, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the U.S. dollar equivalent of the volume-weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2021 and prior to their final maturity date, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest.

As of June 30, 2017, the Company held two convertible debentures: the 2020 convertible debentures and the 2022 convertible debentures. The debt component of the convertible debentures recognized on the consolidated balance sheets was calculated as follows:

(in thousands of U.S. dollars)	2020 convertible debentures	2022 convertible debentures	Total
June 30, 2017			
Principal amount outstanding ¹	\$ 66,035	\$ 172,500	\$ 238,535
Less: Transaction costs (net of amortization)	(1,550)	(7,555)	(9,105)
Liability component on initial recognition	64,485	164,945	229,430
Debentures discount (net of amortization)	(7,201)	(13,549)	(20,750)
Convertible debentures	\$ 57,284	\$ 151,396	\$ 208,680

(in thousands of U.S. dollars)	2020 convertible debentures	2022 convertible debentures	Total
December 31, 2016			
Principal amount outstanding ¹	\$ 63,852	\$ -	\$ 63,852
Less: Transaction costs (net of amortization)	(1,590)	-	(1,590)
Liability component on initial recognition	62,262	-	62,262
Debentures discount (net of amortization)	(7,155)	-	(7,155)
Convertible debentures	\$ 55,107	\$ -	\$ 55,107

(1) 2020 convertible debentures principal amount outstanding of C\$85,693 (2016 – C\$85,731) was translated to U.S. dollars at period-end exchange rate.

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. The fair value of the debt components of the 2020 convertible debentures is \$67,844 (C\$88,040) as of June 30, 2017 and \$70,210 (C\$94,267) as of December 31, 2016. The fair value of the debt components of the 2022 convertible debentures is \$166,272. The difference between the amortized cost and implied fair value is a result of the difference between the effective interest rate and the market interest rate for debt with similar terms.

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The coupon/stated interest rates and effective interest rates are as follows:

(in thousands of U.S. dollars)	Coupon/stated interest rates	Effective interest rates	Maturity dates	Debt balance	
				June 30, 2017	December 31, 2016
Fixed rate					
2020 convertible debentures	5.60%	6.46%	2020	\$ 57,284	\$ 55,107
2022 convertible debentures	5.75%	6.85%	2022	151,396	–
Total fixed-rate debt	5.71%	6.74%		\$ 208,680	\$ 55,107
Variable rate					
Revolving term credit facility	LIBOR+325 bps	4.31%	2020	93,000	113,750
Total debt				\$ 301,680	\$ 168,857

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Total
2018	\$ –	\$ –	\$ –
2019	–	–	–
2020	93,000	66,035	159,035
2021	–	–	–
2022	–	172,500	172,500
2023 and thereafter	–	–	–
	93,000	238,535	331,535
Transaction costs (net of amortization)			(9,105)
Debentures discount (net of amortization)			(20,750)
Total debt			\$ 301,680

7. Amounts payable and accrued liabilities

Amounts payable and accrued liabilities consist of amounts payable and accrued liabilities, income taxes payable, and interest payable, as follows:

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
Amounts payable and accrued liabilities	\$ 16,609	\$ 9,477
Income taxes payable	–	87
Interest payable	4,294	1,328
Total amounts payable and accrued liabilities	\$ 20,903	\$ 10,892

8. Derivative financial instruments

The conversion and redemption features of the convertible debentures are combined pursuant to IAS 39, Financial Instruments: Recognition and Measurement, and are measured at fair value at each reporting period using model calibration.

The conversion and redemption components were valued using a binomial pricing model and then the valued amount was calibrated to the traded price of the underlying debentures. The valuation model uses market-based inputs, including the spot price of the underlying equity, implied volatility of the equity, risk-free rates from the Canadian dollar swap curves and dividend yields related to the equity.

The valuation of the conversion and redemption components assumes that the debentures are held to maturity.

As at June 30, 2017, the fair value of the embedded derivative payable on the 2020 convertible debentures increased by \$14,718 (C\$19,099) (2016 – decrease of \$3,328). The fair value of the embedded derivative payable on the 2022 convertible debentures was \$22,788, representing an increase of \$8,600 since the inception date of May 9, 2017. The change in value of the conversion feature, which is reflected as an expense of the Company, increased largely because of an increase in the Company's share price on the TSX. There was nil impact from foreign exchange revaluation (2016 – increase of \$600) on the 2020 convertible debentures.

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The assumed conversion of both the 2020 and 2022 debentures was anti-dilutive mainly due to the loss recognized on the derivative financial instruments in the six months ended June 30, 2017; as a result, the shares issuable on conversion were excluded from the weighted average diluted shares outstanding for the six months ended June 30, 2017. The comparative period in 2016 included the impact of the assumed conversion of the 2020 convertible debentures.

The value attributed to the derivative financial instruments is shown below:

(in thousands of U.S. dollars)	2020 convertible debentures ¹	2022 convertible debentures	Total
June 30, 2017			
Derivative financial instruments – beginning of period	\$ 28	\$ –	\$ 28
Derivative instrument value of debentures issued	–	14,188	14,188
Fair value changes (based on market price)	14,718	8,600	23,318
Derivative financial instruments – end of period	\$ 14,746	\$ 22,788	\$ 37,534

(in thousands of U.S. dollars)	2020 convertible debentures ¹	2022 convertible debentures	Total
December 31, 2016			
Derivative financial instruments – beginning of period	\$ 8,376	\$ –	\$ 8,376
Fair value changes (based on market price)	(8,607)	–	(8,607)
Revaluation to period-end exchange rate	259	–	259
Derivative financial instruments – end of period	\$ 28	\$ –	\$ 28

(1) Derivative financial instruments ending balance of C\$19,136 (2016 – C\$37) was translated to U.S. dollars at period-end exchange rate.

9. Income taxes

(in thousands of U.S. dollars)	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Income tax expense (recovery) – current	\$ 1,573	\$ (714)	\$ 2,691	\$ 854
Income tax expense (recovery) – deferred	(2,488)	2,235	(1,026)	3,314
Income tax expense (recovery)	\$ (915)	\$ 1,521	\$ 1,665	\$ 4,168

The tax on the Company's income before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to income of the consolidated entities as follows:

(in thousands of U.S. dollars)	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Income (loss) before income taxes	\$ (22,558)	\$ 15,843	\$ (12,223)	\$ 31,347
Combined statutory federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Expected income tax expense (recovery)	(5,978)	4,198	(3,239)	8,307
Foreign tax rate differential	288	(102)	512	(39)
Non-taxable gains on investments	(293)	(1,990)	(2,272)	(4,147)
Non-taxable (gains)/losses on derivative financial instruments	5,075	(637)	6,179	(882)
Other, including permanent differences	(7)	52	485	929
Income tax expense (recovery)	\$ (915)	\$ 1,521	\$ 1,665	\$ 4,168

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The expected realization of deferred income tax assets and deferred income tax liabilities is as follows:

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	\$ 17,708	\$ 11,152
Deferred income tax assets to be recovered within 12 months	1,622	1,252
Total deferred income tax assets	\$ 19,330	\$ 12,404
Deferred income tax liabilities		
Deferred income tax liabilities reversing after more than 12 months	\$ 33,553	\$ 30,256
Deferred income tax liabilities reversing within 12 months	550	232
Total deferred income tax liabilities	\$ 34,103	\$ 30,488

The movement of the deferred income tax accounts was as follows:

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
Change in net deferred income tax liabilities		
Net deferred income tax liabilities – beginning of period	\$ 18,084	\$ 9,318
Charge (credit) to the statement of comprehensive income	(1,026)	10,301
Credit directly to equity	(2,054)	(1,362)
Other	(231)	(173)
Net deferred income tax liabilities – end of period	\$ 14,773	\$ 18,084

The tax effects of the significant components of temporary differences giving rise to the Company's deferred income tax assets and liabilities were as follows:

(in thousands of U.S. dollars)	Long-term incentive plan accrual	Issuance costs	Net operating losses	Other	Total
Deferred income tax assets					
At December 31, 2016	\$ 3,684	\$ 1,640	\$ 6,926	\$ 154	\$ 12,404
Addition/(reversal)	(13)	1,862	5,029	48	6,926
At June 30, 2017	\$ 3,671	\$ 3,502	\$ 11,955	\$ 202	\$ 19,330

(in thousands of U.S. dollars)	Investments	Convertible debentures	Deferred placement fees	Other	Total
Deferred income tax liabilities					
At December 31, 2016	\$ 29,538	\$ 265	\$ 685	\$ -	\$ 30,488
Addition/(reversal)	3,521	175	(81)	-	3,615
At June 30, 2017	\$ 33,059	\$ 440	\$ 604	\$ -	\$ 34,103

The Company believes it will have sufficient future income to realize the deferred income tax assets.

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10. Intangible assets

The intangible assets are comprised as follows:

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
Placement fees	\$ 1,598	\$ 1,805
Rights to performance fees	159	189
Customer relationship intangible	5,016	5,273
Contractual development fees	15,637	17,700
Total intangible assets	\$ 22,410	\$ 24,967

Intangible assets represent future management fees, development fees and commissions that Tricon expects to receive over the life of the projects that the Company manages. They are amortized by project over the estimated periods that the projects expect to collect these fees, which range from 2 to 13 years.

The customer relationship intangible from Johnson represents the management fees, development fees and commissions that Tricon expects to receive from future projects. These are based on future projects which are a result of Johnson's existing customer relationships, and as such are considered to be definite-life intangibles.

There were no impairments to placement fees and rights to performance fees for the six months ended June 30, 2017 and June 30, 2016.

11. Other assets

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
Office equipment	\$ 803	\$ 910
Leasehold improvements	224	247
Goodwill	219	219
Total other assets	\$ 1,246	\$ 1,376

There were no impairment charges for the six months ended June 30, 2017 and June 30, 2016.

12. Dividends

(in thousands of dollars, except per share amounts)			Common shares outstanding	Dividend amount per share		Total dividend amount		Dividend reinvestment plan ("DRIP")	
Date of declaration	Record date	Payment date		CAD	USD ¹	CAD	USD ¹	CAD	USD ²
February 22, 2017	March 31, 2017	April 17, 2017	113,030,589	\$ 0.065	\$ 0.049	\$ 7,347	\$ 5,515	\$ 1,246	\$ 938
May 9, 2017	June 30, 2017	July 14, 2017	133,806,806	0.065	0.050	8,697	6,682	2,764	2,169
						\$ 16,044	\$ 12,197	\$ 4,010	\$ 3,107
March 8, 2016	March 31, 2016	April 15, 2016	112,069,541	\$ 0.065	\$ 0.050	\$ 7,285	\$ 5,616	\$ 1,345	\$ 1,046
May 11, 2016	June 30, 2016	July 15, 2016	112,239,181	0.065	0.050	7,296	5,608	1,753	1,351
August 10, 2016	September 30, 2016	October 15, 2016	112,567,194	0.065	0.050	7,317	5,578	1,612	1,223
November 9, 2016	December 31, 2016	January 13, 2017	112,754,769	0.065	0.048	7,329	5,455	1,789	1,362
						\$ 29,227	\$ 22,257	\$ 6,499	\$ 4,982

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts recorded in equity are translated to U.S. dollars using the daily exchange rate on the date of record. Amounts recorded in payables are translated to U.S. dollars using the period-end exchange rate.

(2) Dividends reinvested are translated to U.S. dollars using the daily exchange rate on the date common shares are issued.

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The Company has a Dividend Reinvestment Plan (“DRIP”) under which eligible shareholders may elect to have their cash dividends automatically reinvested into additional common shares. These additional shares are issued from treasury (or purchased in the open market) at a discount, in the case of treasury issuances, of up to 5% of the Average Market Price, as defined under the DRIP, of the common shares as of the dividend payment date. If common shares are purchased in the open market, they are priced at the average weighted cost to the Company of the shares purchased.

Brokerage, commissions and service fees are not charged to shareholders for purchases or withdrawals of the Company’s shares under the DRIP, and all DRIP administrative costs are assumed by the Company.

For the six months ended June 30, 2017, 312,389 common shares were issued under the DRIP (2016 – 335,550) for a total amount of \$2,300 (2016 – \$1,986).

13. Share capital

The Company is authorized to issue an unlimited number of common shares. The common shares of the Company do not have par value.

As of June 30, 2017, the Company had 133,806,806 common shares outstanding (December 31, 2016 – 112,754,769).

(in thousands of dollars)	June 30, 2017			December 31, 2016		
	Number of shares issued	Share capital		Number of shares issued	Share capital	
		USD	CAD		USD	CAD
Beginning balance	112,754,769	\$ 567,677	\$ 685,589	112,037,851	\$ 561,347	\$ 677,277
Shares issued under DRIP ¹	312,389	2,300	3,035	728,239	4,560	6,075
Stock options exercised ²	116,624	386	520	10,503	77	100
Shares issued for phantom units released from escrow	–	–	–	104,595	617	643
Normal course issuer bid (NCIB)	–	–	–	(244,520)	(1,113)	(1,538)
Deferred share units exercised ³	292,897	1,897	2,530	118,101	827	1,129
Debentures conversions	3,877	28	38	–	–	–
Bought deal offering ⁴	20,326,250	141,140	193,311	–	1,362	1,903
Ending balance	133,806,806	\$ 713,428	\$ 885,023	112,754,769	\$ 567,677	\$ 685,589

(1) In the first six months of 2017, 312,389 common shares were issued under the DRIP at an average price of \$7.36 (C\$9.72) per share.

(2) In the first six months of 2017, 394,001 vested stock options were exercised and settled by issuing 116,624 common shares.

(3) In the first six months of 2017, 292,897 common shares were issued for deferred share units (DSUs) exercised at an average price of \$6.48 (C\$8.64) per share.

(4) On March 17, 2017, the Company completed the offering, on a bought deal basis, of 20,326,250 subscription receipts at a price of \$7.41 (C\$9.90) per subscription receipt for gross proceeds of \$150,520 (C\$201,230 translated to U.S. dollars using the March 17, 2017 exchange rate). Upon the closing of the acquisition of Silver Bay on May 9, 2017, 20,326,250 common shares were delivered to holders of subscription receipts in satisfaction of their right to receive one common share per subscription receipt. On the settlement date, the gross proceeds were revalued to \$146,837 (C\$201,230 translated to U.S. dollars using the May 9, 2017 exchange rate). Net proceeds from the offering were \$141,140 (C\$193,311), which is net of \$7,751 equity issuance costs (including \$964 of dividend equivalent payments), offset by \$2,054 of deferred tax recoveries.

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14. Earnings per share

Basic

Basic earnings per share is calculated by dividing net income attributable to shareholders of Tricon by the sum of the weighted average number of shares outstanding and vested deferred share units during the period.

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Net income (loss) attributable to the shareholders of Tricon	\$ (21,663)	\$ 14,325	\$ (13,792)	\$ 27,559
Weighted average number of common shares outstanding	125,021,590	112,209,583	118,985,571	112,154,975
Adjustments for vested units	468,977	281,797	468,977	281,797
Weighted average number of common shares outstanding for basic earnings per share	125,490,567	112,491,380	119,454,548	112,436,772
Basic earnings (loss) per share	\$ (0.17)	\$ 0.13	\$ (0.12)	\$ 0.25

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The Company has three categories of potentially dilutive shares: stock options, deferred share units (Note 15) and the convertible debentures (Note 8). For the stock options and deferred share units, the number of dilutive shares is based on the number of shares that could have been acquired at fair value (determined using the market price of the Company's shares as of June 30, 2017) based on the monetary value awarded under the AIP and LTIP. For the convertible debentures, the number of dilutive shares is based on the number of common shares into which the elected amount would then be convertible. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

Stock options and deferred share units

For the three months ended June 30, 2017, the Company's stock compensation plans resulted in 2,662,675 dilutive share units (2016 - 1,885,150) as the exercise price of the potential share units is below the average market share price of \$8.35 (C\$11.22) for the three months.

For the six months ended June 30, 2017, the Company's stock compensation plans resulted in 2,536,520 dilutive share units (2016 - 1,860,299) as the exercise price of the potential share units is below the average market share price of \$8.07 (C\$10.77) for the six months.

Convertible debentures

For the three and six months ended June 30, 2017, both of the Company's convertible debentures are anti-dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would result in increased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the three and six months ended June 30, 2017, the impact of the 2020 and 2022 convertible debentures was excluded as their effects were anti-dilutive.

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Net income (loss) attributable to the shareholders of Tricon	\$ (21,663)	\$ 14,325	\$ (13,792)	\$ 27,559
Adjustment for convertible debentures interest expense - net of tax	-	1,091	-	2,165
Net change in fair value of financial instruments through profit or loss - net of tax	-	(1,766)	-	(2,446)
Adjusted net income (loss) attributable to the shareholders of Tricon	\$ (21,663)	\$ 13,650	\$ (13,792)	\$ 27,278
Weighted average number of common shares outstanding	125,490,567	112,491,380	119,454,548	112,436,772
Adjustments for stock compensation	2,662,675	1,885,150	2,536,520	1,860,299
Adjustments for convertible debentures	-	8,748,061	-	8,748,061
Weighted average number of common shares outstanding for diluted earnings per share	128,153,242	123,124,591	121,991,068	123,045,132
Diluted earnings (loss) per share	\$ (0.17)	\$ 0.11	\$ (0.11)	\$ 0.22

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15. Compensation expense

The breakdown of compensation expense, including the annual incentive plan ("AIP") and long-term incentive plan ("LTIP") related to various compensation arrangements, is as follows:

(in thousands of U.S. dollars)	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Salaries and benefits	\$ 3,787	\$ 3,122	\$ 7,168	\$ 5,866
Annual incentive plan ("AIP")	4,795	1,897	7,233	4,232
Long-term incentive plan ("LTIP")	1,191	405	584	65
Total compensation expense	\$ 9,773	\$ 5,424	\$ 14,985	\$ 10,163

For the three months ended June 30		2017		2016	
(in thousands of U.S. dollars)		AIP	LTIP	AIP	LTIP
Cash component		\$ 2,874	\$ 590	\$ 1,143	\$ (498)
Deferred share units ("DSUs")		1,894	255	739	639
Stock options		-	302	-	220
DRIP and revaluation loss		27	44	15	44
Total AIP and LTIP expenses		\$ 4,795	\$ 1,191	\$ 1,897	\$ 405

For the six months ended June 30		2017		2016	
(in thousands of U.S. dollars)		AIP	LTIP	AIP	LTIP
Cash component		\$ 4,383	\$ (381)	\$ 2,568	\$ (1,774)
Deferred share units ("DSUs")		2,832	791	1,667	1,203
Stock options		-	702	-	502
DRIP and revaluation loss (gain)		18	(528)	(3)	134
Total AIP and LTIP expenses		\$ 7,233	\$ 584	\$ 4,232	\$ 65

The changes to transactions of the various cash-settled and equity-settled arrangements during the period are detailed in the sections below.

Cash component

AIP – For the six months ended June 30, 2017, the Company recognized \$7,215 (2016 – \$4,235) in relation to the AIP, of which approximately 60%, being \$4,383, will be settled in cash in December 2017. The balance of the AIP accrual will be paid in DSUs, which will vest one year from the grant date. Aggregate AIP awards are calculated on an annual basis as a percentage of "EBITDA for Bonus Purposes" as defined under the Board-approved annual compensation incentive plans. The AIP expense for the six months (both cash component and DSUs) has increased compared to the same period in the prior year, as a result of an increase in EBITDA for Bonus Purposes.

LTIP – A liability for cash-component LTIP awards is accrued based on expected performance fees that would be generated from the fair value of the assets within each fund or separate account but disbursed only when such performance fees are earned and recognized as revenue. Changes in LTIP are primarily caused by changes to fair values of fund assets, which result from timing and cash flow changes at the project level of each fund, and changing business conditions.

For the six months ended June 30, 2017, the Company reduced its accrual by \$381 related to cash-component LTIP (2016 – \$1,774 accrual decrease), as a result of a reduction in expected performance fees from commingled funds (excluding THP1 US) and separate accounts/side-car investments that will be paid over pre-established vesting periods specific to each commingled fund or separate account/side-car commencing on the anniversary date of the award.

Deferred share units ("DSUs")

AIP – For the six months ended June 30, 2017, the Company accrued \$2,832 in AIP expense (2016 – \$1,667), representing approximately 40% of the 2017 AIP entitlement, which will be granted in DSUs in December 2017, and will vest one year from the grant date.

LTIP – For the six months ended June 30, 2017, the Company accrued \$791 in LTIP expense (2016 – \$1,203) relating to investment income from THP1 US that is paid in DSUs vesting equally over a five-year period commencing on the anniversary date of each grant. Compensation expense related to the grants is recognized on a graded vesting basis and for the six months ended June 30, 2017 is comprised of \$235 relating to the current-year entitlement and \$556 relating to the prior-year entitlement.

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Stock option plan

During the six months ended June 30, 2017, no stock options were granted (2016 – nil), and 394,001 stock options were exercised. During the three months ended June 30, 2017, 371,667 stock options were exercised. For the six months ended June 30, 2017, the Company recorded \$702 (2016 – \$502) in relation to previously granted stock options.

The following table summarizes the movement in the stock option plan during the specified periods:

	For the six months ended June 30, 2017		For the year ended December 31, 2016	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Opening balance – outstanding	4,346,835	\$ 8.53	3,398,835	\$ 8.42
Granted	–	–	995,000	8.85
Exercised	(394,001)	7.83	(42,000)	6.99
Forfeited	(41,834)	9.41	(5,000)	10.57
Ending balance – outstanding	3,911,000	\$ 8.59	4,346,835	\$ 8.53

		June 30, 2017		
Grant date	Expiration date	Options outstanding	Options exercisable	Exercise price on outstanding options (CAD)
May 19, 2010	May 19, 2020	521,000	521,000	\$ 6.00
August 3, 2010	August 3, 2020	49,000	49,000	5.26
November 22, 2011	November 22, 2020	20,000	20,000	4.16
May 17, 2013	May 17, 2020	650,334	650,334	6.81
November 25, 2013	November 25, 2020	152,500	152,500	7.74
March 16, 2015	March 16, 2020	666,500	477,663	10.57
November 17, 2015	November 17, 2020	935,000	398,330	10.03
November 14, 2016	November 14, 2023	916,666	86,666	8.85
Total		3,911,000	2,355,493	\$ 8.59

AIP liability is disclosed under the following balance sheets headings:

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
Amounts payable and accrued liabilities	\$ 4,571	\$ 529
Equity – contributed surplus	6,412	5,155
AIP – end of period	\$ 10,983	\$ 5,684

LTIP liability is shown included under the following balance sheets headings:

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
LTIP	\$ 13,246	\$ 13,359
Equity – contributed surplus	9,204	9,553
LTIP – end of period	\$ 22,450	\$ 22,912

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16. Segmented information

The Company has five reportable segments, as follows: Private Funds and Advisory ("PF&A"); and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH"), Tricon Lifestyle Communities ("TLC"), and Tricon Luxury Residences ("TLR"). The reportable segments are business units offering different products and services, and are managed separately due to their distinct investment natures. These five reportable segments have been determined by the Company's chief operating decision makers.

In accordance with IFRS 8, Operating Segments, the Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company evaluates segment performance based on the revenue and investment income of each investment vertical.

The corporate headquarters provides support functions in the areas of accounting, treasury, information technology, legal, and human resources, and therefore, it does not represent an operating segment. Such corporate expenses have been included below to provide a reconciliation to the overall results in accordance with IFRS 8.

The Company does not report balance sheet information by segment because that information is not used to evaluate performance or allocate resources between segments.

(in thousands of U.S. dollars)

**For the three months ended
June 30, 2017**

	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	\$ 6,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,359
Investment income (loss)	-	6,568	(1,954)	1,613	2,847	-	9,074
	6,359	6,568	(1,954)	1,613	2,847	-	15,433
Expenses	-	-	-	-	-	(30,135)	(30,135)
Interest expense	-	-	-	-	-	(6,478)	(6,478)
Amortization	-	-	-	-	-	(1,378)	(1,378)
Income tax recovery	-	-	-	-	-	915	915
Net loss							\$ (21,643)

(in thousands of U.S. dollars)

**For the three months ended
June 30, 2016**

	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	\$ 6,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,016
Investment income	-	4,928	13,079	1,399	788	-	20,194
	6,016	4,928	13,079	1,399	788	-	26,210
Expenses	-	-	-	-	-	(5,844)	(5,844)
Interest expense	-	-	-	-	-	(3,094)	(3,094)
Amortization	-	-	-	-	-	(1,429)	(1,429)
Income tax expense	-	-	-	-	-	(1,521)	(1,521)
Net income							\$ 14,322

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(in thousands of U.S. dollars)

For the six months ended
June 30, 2017

	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	\$ 12,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,103
Investment income	-	12,236	10,315	3,932	4,778	-	31,261
	12,103	12,236	10,315	3,932	4,778	-	43,364
Expenses	-	-	-	-	-	(43,014)	(43,014)
Interest expense	-	-	-	-	-	(9,794)	(9,794)
Amortization	-	-	-	-	-	(2,779)	(2,779)
Income tax expense	-	-	-	-	-	(1,665)	(1,665)
Net loss							\$ (13,888)

(in thousands of U.S. dollars)

For the six months ended
June 30, 2016

	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	\$ 11,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,789
Investment income	-	11,329	25,989	1,881	2,707	-	41,906
	11,789	11,329	25,989	1,881	2,707	-	53,695
Expenses	-	-	-	-	-	(13,695)	(13,695)
Interest expense	-	-	-	-	-	(5,654)	(5,654)
Amortization	-	-	-	-	-	(2,999)	(2,999)
Income tax expense	-	-	-	-	-	(4,168)	(4,168)
Net income							\$ 27,179

17. Related party transactions and balances

The Company has a ten-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by a current director and shareholder of Tricon. For the six months ended June 30, 2017, the Company paid \$151 in rental payments to Mandukwe Inc., including realty taxes, maintenance, insurance, and utility costs (2016 – \$41).

Transactions with related parties

The following table summarizes revenue earned from related parties, including consolidated subsidiaries. These are contractual arrangements with investment funds managed by the Company, of which the Company is the general partner of the investment. In addition, the table includes investment income from related entities fair valued by the Company.

(in thousands of U.S. dollars)	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Contractual fees	\$ 5,673	\$ 5,588	\$ 11,081	\$ 11,056
General partner distributions	331	327	664	632
Performance fees	355	101	358	101
Total revenue	\$ 6,359	\$ 6,016	\$ 12,103	\$ 11,789
Investment income – Tricon Housing Partners	\$ 6,568	\$ 4,928	\$ 12,236	\$ 11,329
Investment income (loss) – Tricon American Homes	(1,954)	13,079	10,315	25,989
Investment income – Tricon Lifestyle Communities	1,613	1,399	3,932	1,881
Investment income – Tricon Luxury Residences	2,847	788	4,778	2,707
Total investment income	\$ 9,074	\$ 20,194	\$ 31,261	\$ 41,906

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Balances arising from transactions with related parties

The items set out below are included on various line items comprising the Company's condensed interim consolidated financial statements.

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
Receivables from related parties included in amounts receivable		
Contractual fees receivable from investment funds managed	\$ 775	\$ 320
Other receivables	4,850	5,043
Employee relocation housing loans ⁽¹⁾	776	782
Loan receivables from investment in associates and joint ventures	21,608	21,101
Long-term incentive plan	22,450	22,912
Annual incentive plan	10,983	5,684
Dividends payable to employees and associated corporations	321	302
Other payables to related parties included in amounts payable and accruals	13,655	6,705

(1) The employee relocation housing loans are non-interest bearing for a term of five years, maturing in 2019.

Revenues and receivables from related parties relate to general partnership distributions and contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at June 30, 2017 (December 31, 2016 – nil).

18. Financial risk management

Liquidity risk

Liquidity risk is the risk that an entity will have difficulty in meeting obligations associated with its financial liabilities as they fall due or can only do so on terms that are materially disadvantageous. Prudent liquidity risk management includes maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities. The Company uses long-term borrowings to finance its investment strategy for Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquidity risk from the convertible debentures is mitigated by the Company's option, under the terms of the debentures, to settle the obligation with shares.

The maturity analysis of the Company's financial liabilities is as follows:

(in thousands of U.S. dollars)					
As at June 30, 2017	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Amounts payable and accrued liabilities	\$ 20,903	\$ -	\$ -	\$ -	\$ 20,903
Dividends payable	6,702	-	-	-	6,702
Revolving term credit facility	-	93,000	-	-	93,000
Debentures payable	-	66,035	172,500	-	238,535
Derivative financial instruments	-	14,746	22,788	-	37,534
Total	\$ 27,605	\$ 173,781	\$ 195,288	\$ -	\$ 396,674

(in thousands of U.S. dollars)					
As at December 31, 2016	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Amounts payable and accrued liabilities	\$ 10,892	\$ -	\$ -	\$ -	\$ 10,892
Dividends payable	5,459	-	-	-	5,459
Revolving term credit facility	-	113,750	-	-	113,750
Debentures payable	-	-	63,852	-	63,852
Derivative financial instruments	-	-	28	-	28
Total	\$ 16,351	\$ 113,750	\$ 63,880	\$ -	\$ 193,981

During 2017, the change in the Company's liquidity resulted in a working capital surplus of \$1,973 (December 31, 2016 – surplus of \$20,920). As of June 30, 2017, the outstanding credit facility was \$93,000 (December 31, 2016 – \$113,750).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and six months ended June 30, 2017

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

The details of the net current assets are shown below:

(in thousands of U.S. dollars)	June 30, 2017	December 31, 2016
Cash	\$ 7,206	\$ 17,780
Amounts receivable	18,181	16,892
Prepaid expenses and deposits	4,191	2,599
Current assets	29,578	37,271
Amounts payable and accrued liabilities	20,903	10,892
Dividends payable	6,702	5,459
Net current assets	\$ 1,973	\$ 20,920

During the six months ended June 30, 2017, the Company received distributions of \$72,620 (2016 – \$53,797) from its investments.

19. Capital management

The Company's objectives when managing capital are: (i) to safeguard its ability to meet financial obligations and growth objectives, including future investments; (ii) to provide an appropriate return to its shareholders; and (iii) to maintain an optimal capital structure that allows multiple financing options, should a financing need arise. The Company's capital consists of debt (including revolving term credit facility and convertible debentures), cash and shareholders' equity. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

As of June 30, 2017, the Company is in compliance with all financial covenants (Note 6).

20. Working capital changes

(in thousands of U.S. dollars)

For the six months ended June 30	2017	2016
Amounts receivable	\$ (1,289)	\$ (6,824)
Prepaid expenses and deposits	(1,592)	(5,756)
Amounts payable and accruals	10,011	2,090
	\$ 7,130	\$ (10,490)

21. Subsequent events

On August 8, 2017, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on or after October 15, 2017 to shareholders of record on September 30, 2017.



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