

**CONDENSED INTERIM  
CONSOLIDATED  
FINANCIAL STATEMENTS**

for the Three and Nine Months  
Ended September 30, 2017



# Condensed Interim Consolidated Balance Sheets

Unaudited (in thousands of U.S. dollars)

	Notes	September 30, 2017	December 31, 2016
<b>ASSETS</b>			
Cash		\$ 9,687	\$ 17,780
Amounts receivable		11,148	16,892
Prepaid expenses and deposits	3	5,280	2,599
Investments - Tricon Housing Partners	4, 5	305,118	301,787
Investments - Tricon American Homes	4, 5	818,407	479,938
Investments - Tricon Lifestyle Communities	4, 5	59,994	52,591
Investments - Tricon Luxury Residences	4, 5	82,706	62,410
Intangible assets	10	21,214	24,967
Deferred income tax assets	9	22,390	12,404
Other assets	11	1,267	1,376
<b>Total assets</b>		<b>\$ 1,337,211</b>	<b>\$ 972,744</b>
<b>LIABILITIES</b>			
Amounts payable and accrued liabilities	7	\$ 18,315	\$ 10,892
Dividends payable	12	6,988	5,459
Long-term incentive plan	15	13,522	13,359
Debt	6	315,898	168,857
Deferred income tax liabilities	9	41,777	30,488
Derivative financial instruments	8	24,081	28
<b>Total liabilities</b>		<b>420,581</b>	<b>229,083</b>
<b>Equity</b>			
Share capital	13	716,461	567,677
Contributed surplus		19,568	15,835
Cumulative translation adjustment		17,063	18,711
Retained earnings		152,373	127,691
Total shareholders' equity		905,465	729,914
Non-controlling interest		11,165	13,747
<b>Total equity</b>		<b>916,630</b>	<b>743,661</b>
<b>Total liabilities and equity</b>		<b>\$ 1,337,211</b>	<b>\$ 972,744</b>

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 nine months ended	
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Revenue</b>					
Contractual fees	17	\$ 5,490	\$ 5,973	\$ 16,571	\$ 17,029
General partner distributions	17	362	332	1,026	964
Performance fees	17	113	678	471	779
		5,965	6,983	18,068	18,772
<b>Investment income</b>					
Investment income - Tricon Housing Partners	16, 17	4,737	6,123	16,973	17,452
Investment income - Tricon American Homes	16, 17	57,043	20,653	67,358	46,642
Investment income - Tricon Lifestyle Communities	16, 17	2,262	1,496	6,194	3,377
Investment income - Tricon Luxury Residences	16, 17	1,663	605	6,441	3,312
		65,705	28,877	96,966	70,783
		71,670	35,860	115,034	89,555
<b>Expenses</b>					
Compensation expense	15	9,363	6,779	24,348	16,942
General and administration expense		1,275	1,607	5,188	4,815
Interest expense		6,720	3,039	16,514	8,693
Net change in fair value of derivative financial instruments	8	(13,455)	(4,247)	9,863	(7,575)
Transaction costs		419	48	2,335	1,744
Amortization expense		1,297	1,415	4,076	4,414
Realized and unrealized foreign exchange (gain) loss		2,054	(878)	936	1,078
		7,673	7,763	63,260	30,111
<b>Income before income taxes</b>					
		<b>63,997</b>	<b>28,097</b>	<b>51,774</b>	<b>59,444</b>
Income tax expense (recovery) - current	9	1,612	(462)	4,303	392
Income tax expense - deferred	9	4,873	4,942	3,847	8,256
<b>Net income</b>					
		<b>\$ 57,512</b>	<b>\$ 23,617</b>	<b>\$ 43,624</b>	<b>\$ 50,796</b>
<b>Attributable to:</b>					
Shareholders of Tricon		\$ 57,659	\$ 23,542	\$ 43,867	\$ 51,101
Non-controlling interest		(147)	75	(243)	(305)
<b>Net income</b>					
		<b>\$ 57,512</b>	<b>\$ 23,617</b>	<b>\$ 43,624</b>	<b>\$ 50,796</b>
<b>Other comprehensive income</b>					
<i>Items that will be reclassified subsequently to net income</i>					
Cumulative translation reserve		(1,345)	400	(1,648)	(1,262)
<b>Comprehensive income for the period</b>					
		<b>\$ 56,167</b>	<b>\$ 24,017</b>	<b>\$ 41,976</b>	<b>\$ 49,534</b>
<b>Attributable to:</b>					
Shareholders of Tricon		\$ 56,314	\$ 23,942	\$ 42,219	\$ 49,839
Non-controlling interest		(147)	75	(243)	(305)
<b>Comprehensive income for the period</b>					
		<b>\$ 56,167</b>	<b>\$ 24,017</b>	<b>\$ 41,976</b>	<b>\$ 49,534</b>
<b>Basic earnings per share attributable to shareholders of Tricon</b>					
		<b>\$ 0.43</b>	<b>\$ 0.21</b>	<b>\$ 0.35</b>	<b>\$ 0.45</b>
<b>Diluted earnings per share attributable to shareholders of Tricon</b>					
		<b>\$ 0.29</b>	<b>\$ 0.17</b>	<b>\$ 0.34</b>	<b>\$ 0.39</b>
<b>Weighted average shares outstanding - basic</b>					
	14	134,509,774	112,584,950	124,428,127	112,371,206
<b>Weighted average shares outstanding - diluted</b>					
	14	162,610,991	123,577,695	127,304,287	123,280,579

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
<b>Balance at January 1, 2017</b>		<b>\$ 567,677</b>	<b>\$ 15,835</b>	<b>\$ 18,711</b>	<b>\$ 127,691</b>	<b>\$ 729,914</b>	<b>\$ 13,747</b>	<b>\$ 743,661</b>
Net income		-	-	-	43,867	43,867	(243)	43,624
Cumulative translation reserve		-	-	(1,648)	-	(1,648)	-	(1,648)
Distributions to non-controlling interest		-	-	-	-	-	(2,339)	(2,339)
Dividends/Dividend reinvestment plan	12	4,469	-	-	(19,185)	(14,716)	-	(14,716)
Debentures conversion	13	28	-	-	-	28	-	28
Bought deal offering	13	141,140	-	-	-	141,140	-	141,140
Stock options	15	709	230	-	-	939	-	939
Deferred share units	15	2,438	3,503	-	-	5,941	-	5,941
<b>Balance at September 30, 2017</b>		<b>\$ 716,461</b>	<b>\$ 19,568</b>	<b>\$ 17,063</b>	<b>\$ 152,373</b>	<b>\$ 905,465</b>	<b>\$ 11,165</b>	<b>\$ 916,630</b>
<b>Balance at January 1, 2016</b>		<b>\$ 561,347</b>	<b>\$ 9,812</b>	<b>\$ 20,098</b>	<b>\$ 90,813</b>	<b>\$ 682,070</b>	<b>\$ 15,932</b>	<b>\$ 698,002</b>
Net income		-	-	-	51,101	51,101	(305)	50,796
Cumulative translation reserve		-	-	(1,262)	-	(1,262)	-	(1,262)
Distributions to non-controlling interest		-	-	-	-	-	(1,726)	(1,726)
Dividends/Dividend reinvestment plan	12	3,337	-	-	(16,802)	(13,465)	-	(13,465)
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	77	678	-	-	755	-	755
Phantom units	15	617	(805)	-	-	(188)	-	(188)
Deferred share units	15	827	1,696	-	-	2,523	-	2,523
<b>Balance at September 30, 2016</b>		<b>\$ 566,452</b>	<b>\$ 11,381</b>	<b>\$ 18,836</b>	<b>\$ 124,775</b>	<b>\$ 721,444</b>	<b>\$ 13,901</b>	<b>\$ 735,345</b>

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 nine months ended	Notes	September 30, 2017	September 30, 2016
<b>CASH PROVIDED BY (USED IN)</b>			
<b>Operating activities</b>			
Net income		\$ 43,624	\$ 50,796
Adjustments for non-cash items			
Amortization expense	10, 11	4,076	4,414
Deferred income taxes	9	3,847	8,256
Long-term incentive plan	15	1,376	1,413
Annual incentive plan	15	12,704	6,725
Amortization of debenture discount and issuance costs		3,900	1,652
Accrued investment income – Tricon Housing Partners	5, 16	(16,973)	(17,452)
Accrued investment income – Tricon American Homes	5, 16	(67,358)	(46,642)
Accrued investment income – Tricon Lifestyle Communities	5, 16	(6,194)	(3,377)
Accrued investment income – Tricon Luxury Residences	5, 16	(6,441)	(3,312)
Net change in fair value of derivative financial instruments	8	9,863	(7,575)
Unrealized foreign exchange gain		(5,508)	(3,989)
Distributions to non-controlling interest		(2,339)	(1,726)
Advances made to investments	5	(353,508)	(195,789)
Distributions received from investments	5	80,975	85,563
		(297,956)	(121,043)
Changes in non-cash working capital items	20	10,486	(3,276)
<b>Net cash (used in) provided by operating activities</b>		<b>(287,470)</b>	<b>(124,319)</b>
<b>Investing activities</b>			
Purchase of office equipment, furniture and leasehold improvements	11	(316)	(601)
<b>Net cash (used in) provided by investing activities</b>		<b>(316)</b>	<b>(601)</b>
<b>Financing activities</b>			
Issuance (repurchase) of common shares – net of issuance costs and deferred tax recoveries	13	139,086	(1,115)
Proceeds from (repayment of) revolving term credit facility	6	(10,750)	140,250
Issuance of convertible debentures – net of deferred financing costs	6	164,554	-
Dividends paid	12	(13,372)	(12,811)
<b>Net cash (used in) provided by financing activities</b>		<b>279,518</b>	<b>126,324</b>
<b>Effect of foreign exchange rate difference on cash</b>		<b>175</b>	<b>36</b>
<b>Change in cash during the period</b>		<b>(8,093)</b>	<b>1,440</b>
<b>Cash – beginning of period</b>		<b>17,780</b>	<b>4,493</b>
<b>Cash – end of period</b>		<b>\$ 9,687</b>	<b>\$ 5,933</b>
<b>Supplementary information</b>			
<b>Cash paid on</b>			
Income taxes		\$ 3,771	\$ 4,670
Interest		\$ 12,184	\$ 6,687

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 nine months ended September 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, sidecars 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 November 7, 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

In July 2014, the IASB issued the final publication of the IFRS 9 standard, which will supersede IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new hedge accounting guidance.

Under IFRS 9, financial assets will be classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The new hedge accounting standard will align hedge accounting more closely with risk management. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The adoption of IFRS 9 is not expected to have a material impact on the Company’s consolidated financial statements.

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 nine months ended September 30, 2017

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

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of individual transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company meets the definition of an investment entity, and therefore, investments in subsidiaries are accounted for at FVTPL, rather than consolidating them. Investment income is out of the scope of IFRS 15, and therefore, we expect that the application of this new standard will have insignificant impacts on our reported results. The Company currently believes that some impacts will relate to accounting for our contractual fees and performance fees, although immaterial, from private funds as they are consolidated. The Company will review contracts in place at The Johnson Companies LP (“Johnson”) that may be impacted by the adoption of this standard. The Company is in the initial phase of the project plan as it has identified a sample of contracts within Johnson for initial review in accordance with IFRS 15. We will disclose the estimated financial effects of the adoption of IFRS 15 in our 2017 annual consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16, Leases, 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.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2018, together with its adoption of IFRS 15. The adoption of IFRS 16 is not expected to have a material impact on the Company’s consolidated financial statements.

In June 2016, the IASB issued an amendment to IFRS 2, Share-Based Payments, addressing (i) certain issues related 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. The Company is currently reviewing new standards to assess the impact they may have upon adoption.

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.

### 3. Prepaid expenses and deposits

(in thousands of U.S. dollars)

	September 30, 2017	December 31, 2016
Deposits for office building	\$ 4,803	\$ 2,155
Other prepaid expenses and deposits	477	444
<b>Total prepaid expenses and deposits</b>	<b>\$ 5,280</b>	<b>\$ 2,599</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and nine months ended September 30, 2017

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

### 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:

(in thousands of U.S. dollars)	September 30, 2017			December 31, 2016		
	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – THP						
U.S. commingled funds	\$ –	\$ 125,733	\$ 125,733	\$ –	\$ 137,004	\$ 137,004
Canadian commingled funds	–	9,516	9,516	–	9,537	9,537
Separate accounts and side-cars	21,835	148,034	169,869	21,101	134,145	155,246
	21,835	283,283	305,118	21,101	280,686	301,787
Investments – TAH	–	818,407	818,407	–	479,938	479,938
Investments – TLC	–	59,994	59,994	–	52,591	52,591
Investments – TLR	–	82,706	82,706	–	62,410	62,410
<b>Total</b>	<b>\$ 21,835</b>	<b>\$ 1,244,390</b>	<b>\$ 1,266,225</b>	<b>\$ 21,101</b>	<b>\$ 875,625</b>	<b>\$ 896,726</b>

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.

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.



**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

for the three and nine months ended September 30, 2017

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

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 <sup>2</sup>
<b>As at September 30, 2017<sup>1</sup></b>								
THP1 US <sup>3,4</sup>	USD	\$ 226,775	\$ 269,676	\$ 10,975	\$ -	\$ 269,368	\$ 269,368	\$ 97,997
THP2 US	USD	25,000	20,905	4,095	-	28	28	27,736
THP US SP1 LP	USD	6,330	5,331	999	454	322	776	6,081
THP US SP2 LP	USD	5,760	5,074	686	120	115	235	5,315
Cross Creek Ranch	USD	12,960	12,484	476	6,099	13,197	19,296	6,877
Fulshear Farms	USD	5,000	3,255	1,745	650	-	650	3,269
Grand Central Park	USD	9,785	8,526	1,259	3,302	1,598	4,900	9,965
Trilogy at Verde River	USD	10,350	8,748	1,602	3,243	-	3,243	11,599
Viridian	USD	25,400	26,860	1,047	2,750	4,900	7,650	23,473
Trinity Falls	USD	91,750	73,865	17,885	764	-	764	82,659
Side-cars	USD	23,613	18,120	5,493	5,074	429	5,503	20,631
<b>Total USD investments</b>		<b>\$ 442,723</b>	<b>\$ 452,844</b>	<b>\$ 46,262</b>	<b>\$ 22,456</b>	<b>\$ 289,957</b>	<b>\$ 312,413</b>	<b>\$ 295,602</b>
THP3 Canada	CAD	20,000	12,299	7,701	-	3,580	3,580	9,516
<b>Total CAD investments</b>		<b>\$ 20,000</b>	<b>\$ 12,299</b>	<b>\$ 7,701</b>	<b>\$ -</b>	<b>\$ 3,580</b>	<b>\$ 3,580</b>	<b>\$ 9,516</b>
<b>Investments – THP</b>								<b>\$ 305,118</b>
<b>As at December 31, 2016<sup>1</sup></b>								
THP1 US <sup>3,4</sup>	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
<b>Total USD investments</b>		<b>\$ 432,670</b>	<b>\$ 441,535</b>	<b>\$ 46,118</b>	<b>\$ 17,791</b>	<b>\$ 265,391</b>	<b>\$ 283,182</b>	<b>\$ 292,250</b>
THP3 Canada	CAD	20,000	12,016	7,984	-	2,715	2,715	9,537
<b>Total CAD investments</b>		<b>\$ 20,000</b>	<b>\$ 12,016</b>	<b>\$ 7,984</b>	<b>\$ -</b>	<b>\$ 2,715</b>	<b>\$ 2,715</b>	<b>\$ 9,537</b>
<b>Investments – THP</b>								<b>\$ 301,787</b>

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

(2) Investments at fair value as of September 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 \$8,953 of withholding tax.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and nine months ended September 30, 2017

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### 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)	September 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Investments – THP						
U.S. commingled funds	\$ -	\$ -	\$ 125,733	\$ -	\$ -	\$ 137,004
Canadian commingled funds	-	-	9,516	-	-	9,537
Separate accounts and side-cars	-	-	169,869	-	-	155,246
	-	-	305,118	-	-	301,787
Investments – TAH	-	-	818,407	-	-	479,938
Investments – TLC	-	-	59,994	-	-	52,591
Investments – TLR	-	-	82,706	-	-	62,410
	\$ -	\$ -	\$ 1,266,225	\$ -	\$ -	\$ 896,726
<b>Financial liabilities</b>						
Derivative financial instruments (Note 8)	\$ -	\$ 24,081	\$ -	\$ -	\$ 28	\$ -

There have been no transfers between levels for the nine months ended September 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.

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.

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for the three and nine months ended September 30, 2017

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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
<b>Debt investments</b>	Net asset value, determined using discounted cash flow	a) Discount rate <sup>1</sup> b) Future cash flow <sup>2</sup>	10.0% – 12.0% 3 – 5 years	11.5% 3.5 years	Estimated probability of default
<b>Equity investments</b>	Net asset value, determined using discounted cash flow	a) Discount rate <sup>1</sup> b) Future cash flow <sup>2</sup>			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% 2.3 years	<b>U.S. funds:</b> 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% 1.6 years	
THP3 Canada			8.0% – 18.0% 2 – 9 years	10.9% 2.8 years	<b>Canadian funds:</b> 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 <sup>1</sup> b) Future cash flow <sup>2</sup> c) Appraised value <sup>3</sup>	17.0% – 25.0% 2 – 21 years	N/A <sup>3</sup> 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 September 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	September 30, 2017		December 31, 2016	
		1% increase	1% decrease	1% increase	1% decrease
U.S. commingled funds	USD	\$ (935)	\$ 956	\$ (1,342)	\$ 1,377
Canadian commingled funds	CAD	(238)	245	(258)	269
Separate accounts and side-cars <sup>1</sup>	USD	(1,302)	1,328	(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 September 30, 2017 with the exception of the equity interests in ten separate account and side-car investments. As at December 31, 2016, the Company obtained external valuations for 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 September 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 July 1, 2017 were valued at August 31, 2017. 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 September 30, 2017.

During the quarter, the Broker Price Opinion ("BPO") valuation methodology was used to determine the fair value of 2,784 of TAH's rental properties. 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.

Subsequent to quarter-end, TAH completed the sale of 1,523 non-core homes to a large institutional single-family rental owner and operator, including 1,247 homes acquired from Silver Bay. The homes were sold at their effective acquisition cost basis, and the total disposition proceeds of approximately \$153,000 were primarily used to repay a portion of the outstanding Silver Bay acquisition warehouse facility.

### Debt

A summary of TAH's debt outstanding as of September 30, 2017 is as follows:

(in thousands of U.S. dollars)	Effective interest rates	Maturity dates	Debt balance	
			September 30, 2017	December 31, 2016
Securitization loan, TAH 2015-1	LIBOR+1.96%	May 2018	\$ 337,220	\$ 350,595
Silver Bay acquisition facility <sup>1</sup>	LIBOR+3.26%	May 2018	778,915	-
Warehouse credit facility <sup>2</sup>	LIBOR+3.00%	October 2019	42,376	63,038
Securitization loan, TAH 2016-1	3.59%	November 2021	362,601	362,601
Securitization loan, TAH 2017-1 <sup>3</sup>	3.50%	August 2022	462,594	-
<b>Total debt</b>			<b>\$ 1,983,706</b>	<b>\$ 776,234</b>

(1) The Silver Bay acquisition facility has two six-month extension options.

(2) The warehouse credit facility has a one-year extension option. Refer to subsequent event discussion below.

(3) TAH closed its third securitization loan, TAH 2017-1, on August 23, 2017. The transaction involved the issuance and sale of six classes of fixed-rate pass-through certificates. The gross transaction proceeds represent approximately 76% of the value of the securitized portfolio and approximately 83% of its all-in cost. Proceeds were used to partially repay the Silver Bay acquisition facility.

Subsequent to quarter-end, TAH's warehouse credit facility was amended and restated to increase the size of the facility to \$500,000. Concurrently, TAH made an early repayment of the securitization loan, TAH 2015-1, resulting in approximately 3,200 homes being released from the securitization collateral pool.

### Sensitivity

As of September 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 nine months ended September 30, 2017 ranged from 0.77% to 1.23%. If interest rates had been 50 basis points lower, with all other variables held constant, investment income in TAH for the nine months ended September 30, 2017 would have been \$2,526 (2016 - \$1,833) higher. If interest rates had been 50 basis points higher, with all other variables held constant, investment income in TAH for the nine months ended September 30, 2017 would have been \$2,526 (2016 - \$2,533) 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 September 30, 2017 would be \$27,458 and (\$27,458), 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 September 30, 2017 would be \$9,973 and (\$9,973), respectively (December 31, 2016 - \$5,614 and (\$5,614)).

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for the three and nine months ended September 30, 2017

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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 third-party operating 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 third-party operating 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 TLC 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 September 30, 2017, an increase of 1% in the discount rate results in a decrease in fair value of \$6,960, and a decrease of 1% in the discount rate results in an increase in fair value of \$5,770 (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 September 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 \$1,062, and a decrease of 1% in the discount rate results in an increase in fair value of \$1,093 (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 September 30, 2017, an increase of 5% of the appraised value per square foot would result in an increase in fair value of \$548, and a decrease of 5% of the appraised value would result in a decrease in fair value of \$548 (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 nine months ended September 30, 2017 and December 31, 2016:

**THP**

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
Opening balance	\$ 301,787	\$ 303,782
Advances made to investments	11,533	88,562
Distributions received from investments	(25,175)	(118,107)
Investment income	16,973	27,550
<b>Ending balance</b>	<b>\$ 305,118</b>	<b>\$ 301,787</b>
Unrealized fair value gain included in net income on investments still held	16,973	27,550

**TAH**

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
Opening balance	\$ 479,938	\$ 426,030
Advances made to investments	326,911	98,378
Distributions received from investments	(55,800)	(94,551)
Investment income	67,358	50,081
<b>Ending balance</b>	<b>\$ 818,407</b>	<b>\$ 479,938</b>
Unrealized fair value gain included in net income on investments still held	67,358	50,081

**TLC**

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
Opening balance	\$ 52,591	\$ 19,153
Advances made to investments	1,209	28,330
Investment income	6,194	5,108
<b>Ending balance</b>	<b>\$ 59,994</b>	<b>\$ 52,591</b>
Unrealized fair value gain included in net income on investments still held	6,194	5,108

**TLR**

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
Opening balance	\$ 62,410	\$ 19,582
Advances made to investments	13,855	40,762
Investment income	6,441	2,066
<b>Ending balance</b>	<b>\$ 82,706</b>	<b>\$ 62,410</b>
Unrealized fair value gain included in net income on investments still held	6,441	2,066

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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:

	September 30, 2017		December 31, 2016	
	2020 convertible debentures	2022 convertible debentures	2020 convertible debentures	2022 convertible debentures
Risk-free rate <sup>1</sup>	1.92%	1.97%	1.28%	N/A
Stock price <sup>2</sup>	C\$10.13	C\$10.13	C\$9.46	N/A
Implied volatility <sup>3</sup>	24.39%	24.77%	19.05%	N/A
Dividend yield <sup>4</sup>	2.57%	2.57%	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 over a comparable term to maturity.

(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, 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)

	September 30, 2017	December 31, 2016
Revolving term credit facility	\$ 103,000	\$ 113,750
Convertible debentures	212,898	55,107
<b>Total debt</b>	<b>\$ 315,898</b>	<b>\$ 168,857</b>

As at September 30, 2017, the outstanding balance of the revolving term credit facility was \$103,000 (December 31, 2016 - \$113,750). During the nine months ended September 30, 2017, the Company paid interest on total debt in the amount of \$12,184 (2016 - \$6,687).

### 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 nine 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 2.25% to 3.00% above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 3.25% to 4.00% above the respective reference rate. Standby fees ranging from 81.25 basis points to 1.00% of the unutilized portion of the total commitment are payable, with reference to the funded debt-to-EBITDA ratio, on a quarterly basis. Total interest expense incurred under the Facility for the nine months ended September 30, 2017 amounted to \$4,493 (2016 - \$4,502), which includes standby charges of \$1,269 (2016 - \$858). The weighted average interest rate during the nine months ended September 30, 2017 was 4.40%.

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 \$164,554 after transaction costs of \$7,946.

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\$13.05 as of September 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 September 30, 2017, the Company has two issuances of 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
<b>September 30, 2017</b>			
Principal amount outstanding <sup>1</sup>	\$ 68,666	\$ 172,500	\$ 241,166
Less: Transaction costs (net of amortization)	(1,423)	(7,216)	(8,639)
Liability component on initial recognition	67,243	165,284	232,527
Debentures discount (net of amortization)	(6,641)	(12,988)	(19,629)
<b>Convertible debentures</b>	<b>\$ 60,602</b>	<b>\$ 152,296</b>	<b>\$ 212,898</b>

(in thousands of U.S. dollars)	2020 convertible debentures	2022 convertible debentures	Total
<b>December 31, 2016</b>			
Principal amount outstanding <sup>1</sup>	\$ 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)
<b>Convertible debentures</b>	<b>\$ 55,107</b>	<b>\$ -</b>	<b>\$ 55,107</b>

(1) 2020 convertible debentures principal amount outstanding of C\$85,693 (2016 - C\$85,731) was translated to U.S. dollars at the 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 \$70,139 (C\$87,532) as of September 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 \$165,695. 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.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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	
				September 30, 2017	December 31, 2016
<b>Fixed rate</b>					
2020 convertible debentures	5.60%	6.46%	2020	\$ 60,602	\$ 55,107
2022 convertible debentures	5.75%	6.85%	2022	152,296	-
<b>Total fixed-rate debt</b>	<b>5.71%</b>	<b>6.74%</b>		<b>\$ 212,898</b>	<b>\$ 55,107</b>
<b>Variable rate</b>					
Revolving term credit facility	LIBOR+3.25%	4.40%	2020	103,000	113,750
<b>Total debt</b>				<b>\$ 315,898</b>	<b>\$ 168,857</b>

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	103,000	68,666	171,666
2021	-	-	-
2022	-	172,500	172,500
2023 and thereafter	-	-	-
	103,000	241,166	344,166
Transaction costs (net of amortization)			(8,639)
Debentures discount (net of amortization)			(19,629)
<b>Total debt</b>			<b>\$ 315,898</b>

## 7. Amounts payable and accrued liabilities

Amounts payable and accrued liabilities consist of trade payables and accrued liabilities, AIP liability, income taxes payable, and interest payable, as follows:

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
Trade payables and accrued liabilities	\$ 9,799	\$ 8,948
AIP liability (Note 15)	7,518	529
Income taxes payable	139	87
Interest payable	859	1,328
<b>Total amounts payable and accrued liabilities</b>	<b>\$ 18,315</b>	<b>\$ 10,892</b>

## 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 September 30, 2017, the fair value of the embedded derivative payable on the 2020 convertible debentures increased by \$7,759 (C\$9,684) (2016 – decrease of \$7,575). The fair value of the embedded derivative payable on the 2022 convertible debentures was \$16,292, representing an increase of \$2,104 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 an increase of \$2 from foreign exchange revaluation (2016 – increase of \$463) on the 2020 convertible debentures.

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

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 nine months ended September 30, 2017; as a result, the shares issuable on conversion were excluded from the weighted average diluted shares outstanding for the nine months ended September 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 <sup>1</sup>	2022 convertible debentures	Total
<b>September 30, 2017</b>			
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)	7,759	2,104	9,863
Revaluation to period-end exchange rate	2	–	2
<b>Derivative financial instruments – end of period</b>	<b>\$ 7,789</b>	<b>\$ 16,292</b>	<b>\$ 24,081</b>

(in thousands of U.S. dollars)	2020 convertible debentures <sup>1</sup>	2022 convertible debentures	Total
<b>December 31, 2016</b>			
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
<b>Derivative financial instruments – end of period</b>	<b>\$ 28</b>	<b>\$ –</b>	<b>\$ 28</b>

(1) Derivative financial instruments ending balance of C\$9,721 (2016 – C\$37) was translated to U.S. dollars at the period-end exchange rate.

## 9. Income taxes

(in thousands of U.S. dollars)	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Income tax expense (recovery) – current	\$ 1,612	\$ (462)	\$ 4,303	\$ 392
Income tax expense – deferred	4,873	4,942	3,847	8,256
<b>Income tax expense</b>	<b>\$ 6,485</b>	<b>\$ 4,480</b>	<b>\$ 8,150</b>	<b>\$ 8,648</b>

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 September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Income before income taxes	\$ 63,997	\$ 28,097	\$ 51,774	\$ 59,444
Combined statutory federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Expected income tax expense	16,959	7,446	13,720	15,753
Foreign tax rate differential	53	214	565	175
Non-taxable gains on investments	(7,983)	(2,942)	(10,255)	(7,089)
Non-taxable (gains)/losses on derivative financial instruments	(3,565)	(1,125)	2,614	(2,007)
Other, including permanent differences	1,021	887	1,506	1,816
<b>Income tax expense</b>	<b>\$ 6,485</b>	<b>\$ 4,480</b>	<b>\$ 8,150</b>	<b>\$ 8,648</b>

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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)	September 30, 2017	December 31, 2016
<b>Deferred income tax assets</b>		
Deferred income tax assets to be recovered after more than 12 months	\$ 21,298	\$ 11,152
Deferred income tax assets to be recovered within 12 months	1,092	1,252
<b>Total deferred income tax assets</b>	<b>\$ 22,390</b>	<b>\$ 12,404</b>
<b>Deferred income tax liabilities</b>		
Deferred income tax liabilities reversing after more than 12 months	\$ 41,164	\$ 30,256
Deferred income tax liabilities reversing within 12 months	613	232
<b>Total deferred income tax liabilities</b>	<b>\$ 41,777</b>	<b>\$ 30,488</b>

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

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
<b>Change in net deferred income tax liabilities</b>		
Net deferred income tax liabilities – beginning of period	\$ 18,084	\$ 9,318
Charge to the statement of comprehensive income	3,847	10,301
Credit directly to equity	(2,054)	(1,362)
Other	(490)	(173)
<b>Net deferred income tax liabilities – end of period</b>	<b>\$ 19,387</b>	<b>\$ 18,084</b>

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
<b>Deferred income tax assets</b>					
At December 31, 2016	\$ 3,684	\$ 1,640	\$ 6,926	\$ 154	\$ 12,404
Addition	176	1,590	7,823	397	9,986
<b>At September 30, 2017</b>	<b>\$ 3,860</b>	<b>\$ 3,230</b>	<b>\$ 14,749</b>	<b>\$ 551</b>	<b>\$ 22,390</b>

(in thousands of U.S. dollars)	Investments	Convertible debentures	Deferred placement fees	Other	Total
<b>Deferred income tax liabilities</b>					
At December 31, 2016	\$ 29,538	\$ 265	\$ 685	\$ -	\$ 30,488
Addition/(reversal)	11,208	196	(115)	-	11,289
<b>At September 30, 2017</b>	<b>\$ 40,746</b>	<b>\$ 461</b>	<b>\$ 570</b>	<b>\$ -</b>	<b>\$ 41,777</b>

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 as follows:

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
Placement fees	\$ 1,508	\$ 1,805
Rights to performance fees	143	189
Customer relationship intangible	4,887	5,273
Contractual development fees	14,676	17,700
<b>Total intangible assets</b>	<b>\$ 21,214</b>	<b>\$ 24,967</b>

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 nine months ended September 30, 2017 and September 30, 2016.

## 11. Other assets

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
Office equipment	\$ 832	\$ 910
Leasehold improvements	216	247
Goodwill	219	219
<b>Total other assets</b>	<b>\$ 1,267</b>	<b>\$ 1,376</b>

## 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 <sup>1</sup>	CAD	USD <sup>1</sup>	CAD	USD <sup>2</sup>
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
August 8, 2017	September 30, 2017	October 16, 2017	134,165,809	0.065	0.050	8,721	6,988	2,672	2,139
						<b>\$ 24,765</b>	<b>\$ 19,185</b>	<b>\$ 6,682</b>	<b>\$ 5,246</b>
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
						<b>\$ 29,227</b>	<b>\$ 22,257</b>	<b>\$ 6,499</b>	<b>\$ 4,982</b>

(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 nine months ended September 30, 2017, 566,036 common shares were issued under the DRIP (2016 – 540,664) for a total amount of \$4,469 (2016 – \$3,337).

### 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 September 30, 2017, the Company had 134,165,809 common shares outstanding (December 31, 2016 – 112,754,769).

(in thousands of dollars)	September 30, 2017			December 31, 2016		
	Number of shares issued	Share capital		Number of shares issued	Share capital	
		USD	CAD		USD	CAD
<b>Beginning balance</b>	112,754,769	\$ 567,677	\$ 685,589	112,037,851	\$ 561,347	\$ 677,277
Shares issued under DRIP <sup>1</sup>	566,036	4,469	5,799	728,239	4,560	6,075
Stock options exercised <sup>2</sup>	145,582	709	933	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 <sup>3</sup>	369,295	2,438	3,223	118,101	827	1,129
Debentures conversions	3,877	28	38	-	-	-
Bought deal offering <sup>4</sup>	20,326,250	141,140	193,311	-	1,362	1,903
<b>Ending balance</b>	<b>134,165,809</b>	<b>\$ 716,461</b>	<b>\$ 888,893</b>	<b>112,754,769</b>	<b>\$ 567,677</b>	<b>\$ 685,589</b>

(1) In the first nine months of 2017, 566,036 common shares were issued under the DRIP at an average price of \$7.90 (C\$10.24) per share.

(2) In the first nine months of 2017, 687,334 vested stock options were exercised and settled by issuing 145,582 common shares.

(3) In the first nine months of 2017, 369,295 common shares were issued for deferred share units (DSUs) exercised at an average price of \$6.60 (C\$8.73) 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 September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Net income attributable to the shareholders of Tricon	\$ 57,659	\$ 23,542	\$ 43,867	\$ 51,101
Weighted average number of common shares outstanding	134,108,041	112,475,591	124,026,394	112,261,847
Adjustments for vested units	401,733	109,359	401,733	109,359
Weighted average number of common shares outstanding for basic earnings per share	134,509,774	112,584,950	124,428,127	112,371,206
<b>Basic earnings per share</b>	<b>\$ 0.43</b>	<b>\$ 0.21</b>	<b>\$ 0.35</b>	<b>\$ 0.45</b>

#### 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 September 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 September 30, 2017, the Company's stock compensation plans resulted in 2,865,636 dilutive share units (2016 - 2,244,684) as the exercise price of the potential share units is below the average market share price of \$8.55 (C\$10.71) for the three months.

For the nine months ended September 30, 2017, the Company's stock compensation plans resulted in 2,876,160 dilutive share units (2016 - 2,161,312) as the exercise price of the potential share units is below the average market share price of \$8.23 (C\$10.75) for the nine months.

#### Convertible debentures

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

For the nine months ended September 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 nine months ended September 30, 2017, the impact of the 2020 and 2022 convertible debentures was excluded.

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Net income attributable to the shareholders of Tricon	\$ 57,659	\$ 23,542	\$ 43,867	\$ 51,101
Adjustment for convertible debentures interest expense - net of tax	3,717	916	-	3,080
Net change in fair value of financial instruments through profit or loss	(13,455)	(3,122)	-	(5,568)
Adjusted net income attributable to the shareholders of Tricon	\$ 47,921	\$ 21,336	\$ 43,867	\$ 48,613
Weighted average number of common shares outstanding	134,509,774	112,584,950	124,428,127	112,371,206
Adjustments for stock compensation	2,865,636	2,244,684	2,876,160	2,161,312
Adjustments for convertible debentures	25,235,581	8,748,061	-	8,748,061
Weighted average number of common shares outstanding for diluted earnings per share	162,610,991	123,577,695	127,304,287	123,280,579
<b>Diluted earnings per share</b>	<b>\$ 0.29</b>	<b>\$ 0.17</b>	<b>\$ 0.34</b>	<b>\$ 0.39</b>

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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 September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Salaries and benefits	\$ 3,100	\$ 2,938	\$ 10,268	\$ 8,804
Annual incentive plan (“AIP”)	5,471	2,493	12,704	6,725
Long-term incentive plan (“LTIP”)	792	1,348	1,376	1,413
<b>Total compensation expense</b>	<b>\$ 9,363</b>	<b>\$ 6,779</b>	<b>\$ 24,348</b>	<b>\$ 16,942</b>

(in thousands of U.S. dollars)	For the three months ended September 30		2016	
	AIP	LTIP	AIP	LTIP
Cash component	\$ 3,266	\$ (185)	\$ 1,463	\$ (53)
Deferred share units (“DSUs”)	2,177	677	1,015	874
Stock options	-	238	-	264
DRIP and revaluation loss	28	62	15	263
<b>Total AIP and LTIP expenses</b>	<b>\$ 5,471</b>	<b>\$ 792</b>	<b>\$ 2,493</b>	<b>\$ 1,348</b>

(in thousands of U.S. dollars)	For the nine months ended September 30		2016	
	AIP	LTIP	AIP	LTIP
Cash component	\$ 7,649	\$ (566)	\$ 4,031	\$ (1,827)
Deferred share units (“DSUs”)	5,009	1,468	2,682	2,077
Stock options	-	940	-	766
DRIP and revaluation loss (gain)	46	(466)	12	397
<b>Total AIP and LTIP expenses</b>	<b>\$ 12,704</b>	<b>\$ 1,376</b>	<b>\$ 6,725</b>	<b>\$ 1,413</b>

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 nine months ended September 30, 2017, the Company recognized \$12,658 (2016 – \$6,713) in relation to the AIP, of which approximately 60%, being \$7,649, 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 nine months ended September 30, 2017 (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 nine months ended September 30, 2017, the Company reduced its accrual by \$566 related to cash-component LTIP (2016 – \$1,827 accrual decrease), as a result of a reduction in expected performance fees from commingled funds (excluding THPI 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 nine months ended September 30, 2017, the Company accrued \$5,009 in AIP expense (2016 – \$2,682), 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 nine months ended September 30, 2017, the Company accrued \$1,468 in LTIP expense (2016 – \$2,077) relating to investment income from THPI 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 nine months ended September 30, 2017 is comprised of \$317 relating to the current-year entitlement and \$1,151 relating to the prior-year entitlement.

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### Stock option plan

During the nine months ended September 30, 2017, no stock options were granted (2016 – nil), and 687,334 stock options were exercised. During the three months ended September 30, 2017, 293,333 stock options were exercised. For the nine months ended September 30, 2017, the Company recorded \$940 (2016 – \$766) in relation to previously granted stock options.

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

	For the nine months ended September 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	(687,334)	8.75	(42,000)	6.99
Forfeited	(41,834)	9.41	(5,000)	10.57
<b>Ending balance – outstanding</b>	<b>3,617,667</b>	<b>\$ 8.48</b>	<b>4,346,835</b>	<b>\$ 8.53</b>

Grant date	Expiration date	September 30, 2017		
		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	563,166	374,329	10.57
November 17, 2015	November 17, 2020	801,667	264,997	10.03
November 14, 2016	November 14, 2023	860,000	30,000	8.85
<b>Total</b>		<b>3,617,667</b>	<b>2,062,160</b>	<b>\$ 8.48</b>

AIP liability is disclosed under the following balance sheet headings:

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
Amounts payable and accrued liabilities	\$ 7,518	\$ 529
Equity – contributed surplus	8,744	5,155
<b>AIP – end of period</b>	<b>\$ 16,262</b>	<b>\$ 5,684</b>

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

(in thousands of U.S. dollars)	September 30, 2017	December 31, 2016
LTIP	\$ 13,522	\$ 13,359
Equity – contributed surplus	9,776	9,553
<b>LTIP – end of period</b>	<b>\$ 23,298</b>	<b>\$ 22,912</b>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and nine months ended September 30, 2017

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

### 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  
September 30, 2017

	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	\$ 5,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,965
Investment income	-	4,737	57,043	2,262	1,663	-	65,705
	5,965	4,737	57,043	2,262	1,663	-	71,670
Other income	-	-	-	-	-	344	344
Interest expense	-	-	-	-	-	(6,720)	(6,720)
Amortization	-	-	-	-	-	(1,297)	(1,297)
Income tax expense	-	-	-	-	-	(6,485)	(6,485)
<b>Net income</b>							<b>\$ 57,512</b>

(in thousands of U.S. dollars)

For the three months ended  
September 30, 2016

	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	\$ 6,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,983
Investment income	-	6,123	20,653	1,496	605	-	28,877
	6,983	6,123	20,653	1,496	605	-	35,860
Expenses	-	-	-	-	-	(3,309)	(3,309)
Interest expense	-	-	-	-	-	(3,039)	(3,039)
Amortization	-	-	-	-	-	(1,415)	(1,415)
Income tax expense	-	-	-	-	-	(4,480)	(4,480)
<b>Net income</b>							<b>\$ 23,617</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and nine months ended September 30, 2017

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

(in thousands of U.S. dollars)

### For the nine months ended September 30, 2017

	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	\$ 18,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,068
Investment income	-	16,973	67,358	6,194	6,441	-	96,966
	18,068	16,973	67,358	6,194	6,441	-	115,034
Expenses	-	-	-	-	-	(42,670)	(42,670)
Interest expense	-	-	-	-	-	(16,514)	(16,514)
Amortization	-	-	-	-	-	(4,076)	(4,076)
Income tax expense	-	-	-	-	-	(8,150)	(8,150)
<b>Net income</b>							<b>\$ 43,624</b>

(in thousands of U.S. dollars)

### For the nine months ended September 30, 2016

	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	\$ 18,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,772
Investment income	-	17,452	46,642	3,377	3,312	-	70,783
	18,772	17,452	46,642	3,377	3,312	-	89,555
Expenses	-	-	-	-	-	(17,004)	(17,004)
Interest expense	-	-	-	-	-	(8,693)	(8,693)
Amortization	-	-	-	-	-	(4,414)	(4,414)
Income tax expense	-	-	-	-	-	(8,648)	(8,648)
<b>Net income</b>							<b>\$ 50,796</b>

## 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 nine months ended September 30, 2017, the Company paid \$216 in rental payments to Mandukwe Inc., including realty taxes, maintenance, insurance, and utility costs (2016 - \$56).

### 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 September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Contractual fees	\$ 5,490	\$ 5,973	\$ 16,571	\$ 17,029
General partner distributions	362	332	1,026	964
Performance fees	113	678	471	779
<b>Total revenue</b>	<b>\$ 5,965</b>	<b>\$ 6,983</b>	<b>\$ 18,068</b>	<b>\$ 18,772</b>
Investment income - Tricon Housing Partners	\$ 4,737	\$ 6,123	\$ 16,973	\$ 17,452
Investment income - Tricon American Homes	57,043	20,653	67,358	46,642
Investment income - Tricon Lifestyle Communities	2,262	1,496	6,194	3,377
Investment income - Tricon Luxury Residences	1,663	605	6,441	3,312
<b>Total investment income</b>	<b>\$ 65,705</b>	<b>\$ 28,877</b>	<b>\$ 96,966</b>	<b>\$ 70,783</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and nine months ended September 30, 2017

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

### 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)	September 30, 2017	December 31, 2016
Receivables from related parties included in amounts receivable		
Contractual fees receivable from investment funds managed	\$ 950	\$ 320
Other receivables	3,915	5,043
Employee relocation housing loans <sup>(1)</sup>	773	782
Loan receivables from investment in associates and joint ventures	21,835	21,101
Annual incentive plan	16,262	5,684
Long-term incentive plan	23,298	22,912
Dividends payable	333	302
Other payables to related parties included in amounts payable and accruals	7,577	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 September 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 September 30, 2017	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
<b>Liabilities</b>					
Amounts payable and accrued liabilities	\$ 18,315	\$ -	\$ -	\$ -	\$ 18,315
Dividends payable	6,988	-	-	-	6,988
Revolving term credit facility	-	103,000	-	-	103,000
Debentures payable	-	68,666	172,500	-	241,166
Derivative financial instruments	-	7,789	16,292	-	24,081
<b>Total</b>	<b>\$ 25,303</b>	<b>\$ 179,455</b>	<b>\$ 188,792</b>	<b>\$ -</b>	<b>\$ 393,550</b>

(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
<b>Liabilities</b>					
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
<b>Total</b>	<b>\$ 16,351</b>	<b>\$ 113,750</b>	<b>\$ 63,880</b>	<b>\$ -</b>	<b>\$ 193,981</b>

During 2017, the change in the Company's liquidity resulted in a working capital surplus of \$812 (December 31, 2016 – surplus of \$20,920). As of September 30, 2017, the outstanding credit facility was \$103,000 (December 31, 2016 – \$113,750).

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and nine months ended September 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)	September 30, 2017	December 31, 2016
Cash	\$ 9,687	\$ 17,780
Amounts receivable	11,148	16,892
Prepaid expenses and deposits	5,280	2,599
Current assets	26,115	37,271
Amounts payable and accrued liabilities	18,315	10,892
Dividends payable	6,988	5,459
<b>Net current assets</b>	<b>\$ 812</b>	<b>\$ 20,920</b>

During the nine months ended September 30, 2017, the Company received distributions of \$80,975 (2016 – \$85,563) 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 September 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 nine months ended September 30	2017	2016
Amounts receivable	\$ 5,744	\$ (3,785)
Prepaid expenses and deposits	(2,681)	(110)
Amounts payable and accruals	7,423	619
	<b>\$ 10,486</b>	<b>\$ (3,276)</b>

## 21. Subsequent events

On November 7, 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 January 15, 2018 to shareholders of record on December 31, 2017.

On October 4, 2017, the Company announced that the Toronto Stock Exchange approved its notice of intention to make a normal course issuer bid to repurchase up to 2,700,000 of its common shares during the twelve-month period from October 6, 2017 to October 5, 2018. Subsequent to quarter-end, the Company repurchased 941,400 of its common shares for C\$9,938.



**Tricon Capital Group Inc.**

1067 Yonge Street

Toronto, Ontario M4W 2L2

T 416.925.7228 F 416.925.5022

[www.triconcapital.com](http://www.triconcapital.com)

