



Consolidated Financial Statements

(Expressed in thousands of Canadian dollars)

# **TREZ CAPITAL YIELD TRUST**

And Independent Auditor's Report thereon

Year ended December 31, 2025



KPMG LLP  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Unitholders of Trez Capital Yield Trust

### ***Opinion***

We have audited the consolidated financial statements of Trez Capital Yield Trust (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of comprehensive loss for the year then ended
- the consolidated statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

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

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

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



### ***Other Matter – Adjustment of Comparative Information***

As part of our audit of the financial statements for the year ended December 31, 2025, we also audited the adjustments that were applied to adjust certain comparative information presented for the year ended December 31, 2024 and disclosed in Note 2(e) to the financial statements.

In our opinion, such adjustments are appropriate and have been properly applied.

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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants

Vancouver, Canada

April 29, 2026

# TREZ CAPITAL YIELD TRUST

Consolidated Statement of Financial Position  
(Expressed in thousands of Canadian dollars)

December 31, 2025, with comparative information for 2024

	Notes	2025	2024
<b>Assets</b>			
Cash and cash equivalents		\$ 99,987	\$ 10,700
Margin deposits	4	-	260
Foreign currency derivative assets	4	2,516	131
Due from related parties	14(e)	12,563	30,191
Investments in mortgages	5, 14(d)	350,687	753,018
Investments held at fair value	6, 14(d)	278,870	218,618
Investments in associates		587	760
Investments in joint ventures		-	10
Property held for sale		1,064	7,702
Other investments	8	-	27,380
Promissory notes receivable	9	36,334	45,916
Other assets		847	1,420
		<b>\$ 783,455</b>	<b>\$ 1,096,106</b>
<b>Equity</b>			
Accumulated other comprehensive income		\$ 1,034	\$ 972
		1,034	972
<b>Liabilities and Net Assets</b>			
Credit facility	10	-	47,022
Accounts payable and accrued liabilities		1,744	2,538
Management and incentive fees payable	14(a)	1,013	1,322
Distributions payable to holders of redeemable units	11	2,489	2,330
Foreign currency derivative liabilities	4	506	8,577
Due to related parties	14(e)	2,593	5
Loans payable	12	-	31,474
Mortgage syndication liabilities	5(a)	116,168	140,635
		124,513	233,903
Redeemable units, representing net assets attributable to holders of redeemable units	13	657,908	861,231
		<b>\$ 783,455</b>	<b>\$ 1,096,106</b>

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

Approved on behalf of the Board of the General Partner of the Manager,  
Trez Capital Fund Management Limited Partnership:

(Signed) "John Maragliano"  
Director

(Signed) "Morley Greene"  
Director

# TREZ CAPITAL YIELD TRUST

Consolidated Statement of Comprehensive Loss

(Expressed in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative information for 2024

	Notes	2025	2024
<b>Revenue:</b>			
Interest income on mortgages		\$ 58,074	\$ 82,139
Interest expense on mortgage syndication liabilities		(10,817)	(14,641)
Other income		6,052	3,847
		53,309	71,345
<b>Expenses:</b>			
Provision (recovery) for expected credit loss	5(b)	95,180	(3,936)
Foreign exchange (gain) loss		(1,346)	23,260
General and administrative		3,580	3,884
Management and incentive fees	14(a)	13,899	7,300
		111,313	30,508
<b>Other income (expenses):</b>			
Fair value (loss) gain on investments held at fair value	6	(15,228)	19,122
Foreign exchange (loss) gain on investments held at fair value	6	(11,768)	18,451
Gain from investments in associates		27	421
Loss from investments in joint ventures		(160)	(224)
		(27,129)	37,770
<b>Income (expenses) from real estate properties:</b>			
Revenue from property held for sale	7	4,181	8,135
Cost of sales from property held for sale	7	(4,829)	(8,157)
Expenses from property held for sale	7	(2,174)	(365)
Rental income from foreclosed property	8	3,642	7,841
Other income from foreclosed property	8	-	1,155
Fair value loss on foreclosed property	8	(250)	(9,716)
Expenses related to foreclosed property	8	(3,302)	(8,538)
		(2,732)	(9,645)
<b>(Loss) income from operations</b>		<b>\$ (87,865)</b>	<b>\$ 68,962</b>
<b>Other items:</b>			
Interest expense		1,744	3,021
Distributions to holders of redeemable units	11	53,708	66,243
		55,452	69,264
<b>Net loss</b>		<b>\$ (143,317)</b>	<b>\$ (302)</b>
<b>Other comprehensive income (loss):</b>			
Translation adjustment on foreign operations		62	224
<b>Comprehensive loss</b>		<b>\$ (143,255)</b>	<b>\$ (78)</b>
<b>Net income (loss) attributable to:</b>			
Holders of redeemable units		(143,317)	(373)
Non-controlling interests	14	-	71
		\$ (143,317)	\$ (302)
<b>Net comprehensive income (loss) attributable to:</b>			
Holders of redeemable units		(143,255)	(149)
Non-controlling interests		-	71
		\$ (143,255)	\$ (78)

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

# TREZ CAPITAL YIELD TRUST

Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units  
(Expressed in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Balance, beginning of the year	\$ 861,231	\$ 914,016
Net loss attributable to holders of redeemable units	(143,317)	(373)
Contributions and redemptions:		
Issuance of units	34,365	64,019
Reinvestment of distributions on redeemable units	25,912	37,976
Redemption of units	(120,282)	(154,407)
	(60,005)	(52,412)
Balance, end of year	\$ 657,908	\$ 861,231

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

# TREZ CAPITAL YIELD TRUST

Consolidated Statement of Cash Flows

(Expressed in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
		Adjusted – Note 2(e)
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (143,317)	\$ (302)
Items not involving cash:		
Interest income, net of interest expense on syndications	(47,257)	(67,498)
Interest expense	1,744	3,021
Provision (recovery) for expected credit losses	95,180	(3,936)
Gain from investments in associates	(27)	(421)
Loss from investments in joint ventures	160	224
Unrealized (gain) loss on foreign currency derivatives	(10,455)	15,453
Fair value gain on investments held at fair value	15,228	(19,122)
Foreign exchange loss (gain) on investments held at fair value	11,768	(18,451)
Foreign exchange loss (gain) on investments in mortgages	7,796	(19,719)
Cost of sales for property held for sale	4,829	8,157
Distributions to holders of redeemable units	53,708	66,243
Fair value loss on foreclosed property	250	9,716
Other income from foreclosed property	(568)	(1,155)
Other expenses from foreclosed property	-	3,424
Foreign exchange translation	73	-
Funding of investments in mortgages	(242,085)	(442,218)
Repayments on investments in mortgages, including syndications	406,948	362,646
Interest received	18,166	37,024
Interest paid	(1,259)	(1,763)
Changes in operating working capital items:		
Margin deposits	260	996
Other assets	572	(3,164)
Accounts payable and accrued liabilities	(946)	(712)
Management and incentive fees payable	(309)	(7,394)
Change in due to related parties	2,588	-
	173,047	(78,951)
Investing activities:		
Contributions to investments held at fair value	(446,751)	(215,629)
Distributions from investments held at fair value	504,479	273,042
Distributions from investments in associates	189	5,660
Proceeds from (additions to) property held for sale	1,810	(362)
Proceeds from disposal of other investment	3,750	9,242
Repayments of promissory note receivable	3,722	3,312
Contributions (distributions) to non-controlling interests	-	(1,177)
Change in due from related parties	17,628	(8,119)
	84,827	65,969
Financing activities:		
Distributions paid	(27,637)	(28,361)
Issuance of units	34,365	64,019
Redemptions of units	(120,282)	(154,407)
Proceeds from credit facility	-	79,685
Repayments to credit facility	(47,022)	(32,663)
Repayments of loans payable	(8,011)	(5,340)
	(168,587)	(77,067)
Increase (decrease) in cash and cash equivalents	89,287	(90,049)
Cash and cash equivalents, beginning of year	10,700	100,749
Cash and cash equivalents, end of year	\$ 99,987	\$ 10,700

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

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 1. Nature of business:

Trez Capital Yield Trust (the "Trust") is an unincorporated trust established under the laws of British Columbia pursuant to a Declaration of Trust dated March 20, 2013, which has been amended various times with the latest amendment dated March 31, 2022 (the "Declaration of Trust").

Trez Capital Fund Management Limited Partnership is the Trust's manager (the "Manager") and Trez Capital Limited Partnership is the Trust's mortgage broker (the "Mortgage Broker"). The Manager and Mortgage Broker are related to the Trust through common control.

The Trust has been created for the purpose of generating a stream of income from interests acquired in a portfolio of mortgages related to any and all types of real property and from limited equity profit sharing arrangements through limited partnerships within the United States ("U.S.").

The Trust invests in mortgages alone or on a participation basis with parties related to the Manager. Title to mortgages is held by a bare trust (the "Trustee") on behalf of the beneficial owners of the mortgages. In cases where mortgages are held on a participation basis:

- The Trust's rights are as outlined in the Declaration of Trust and a Mortgage Participation and Servicing Agreement with the Mortgage Broker;
- Pursuant to the Mortgage Participation and Servicing Agreement, the Mortgage Broker agrees to administer and service the mortgages on behalf of the Trustee, the Trust, and other investees. The Mortgage Broker acts as the Trust's underwriter, servicer and syndicator;
- The Mortgage Broker performs certain duties including registering the mortgages, arranging for title searches, and holding all title papers and other security documentation related to the mortgages; and
- The Mortgage Broker delivers cash payments for interest and principal to the Trustee.

Effective August 18, 2025 (the "August Suspension"), the Manager temporarily suspended the redemption of units of the Trust in accordance with the Declaration of Trust. The August Suspension applied to all redemption requests placed on or before the effective date of the August Suspension for which payment had not yet been made and the Trust did not accept any redemption requests after the effective date of the August Suspension. During the August Suspension, no payment was made in respect of unsettled redemption requests placed on or before the effective date of the August Suspension. The August Suspension remained in effect until February 14, 2026.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 1. Nature of business (continued):

Effective February 15, 2026 (the "February Suspension"), the Manager temporarily suspended the redemption of units of the Trust in accordance with the Declaration of Trust. The February Suspension applies to all redemption requests placed on or before the effective date of the February Suspension for which payment has not yet been made and the Trust will not accept any redemption requests after the effective date of the February Suspension until such time as the February Suspension has been terminated. During the February Suspension, no payment will be made in respect of unsettled redemption requests placed on or before the effective date of the February Suspension. The February Suspension will continue until the first day on which the condition giving rise to the February Suspension ceases to exist in the opinion of the Manager, acting reasonably, provided that no other condition under which a suspension is authorized then exists. In the event another condition under which a suspension is authorized then exists, the February Suspension will continue until the first day on which such new condition giving rise to the February Suspension ceases to exist in the opinion of the Manager and provided no other condition under which a suspension is authorized then exists. Unless the February Suspension is earlier terminated by the Manager in its discretion and in accordance with the Declaration of Trust, if no other condition under which a suspension is authorized exists of the date that is 180 days from the effective time of the February Suspension, the February Suspension will be terminated and the Trust will resume redemption of units in accordance with the Declaration of Trust and such processes may be determined by the Manager.

The principal place of business of the Trust is located at 1700 - 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 2. Basis of preparation:

### (a) Statement of compliance:

These consolidated financial statements of the Trust have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Governors on April 29, 2026.

### (b) Basis of measurement and going concern:

These consolidated financial statements have been prepared on the historical cost basis, except for margin deposits, foreign currency derivative assets, investments held at fair value, property held for sale, other investments, and foreign currency derivative liabilities which are measured at fair value.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Trust be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due in the normal course.

The Manager has reviewed their future plans and formed a judgment that the Trust has adequate resources to continue as a going concern for the foreseeable future, which the Manager has defined as being at least 12 months from the date of approval of these consolidated financial statements. In arriving at this judgment, the Manager has considered cash flow projections of operations, including projections for contractually committed mortgage funding obligations of the Manager that are anticipated to be allocated to the Trust and obligations under financing arrangements.

### (c) Functional and presentation currency:

The Trust's functional currency is the Canadian dollar. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates.

The Trust is using the Canadian dollar as its presentation currency. Where the functional currency is a currency other than the Canadian dollar, amounts have been translated into Canadian dollars as follows:

- (i) Assets and liability amounts are translated at the exchange rate at the end of each reporting period;
- (ii) Amounts included in the determination of earnings are translated at the average exchange rate during the year; and
- (iii) Any gains or losses from the translation of amounts determined in (i) and (ii) above are recognized in accumulated other comprehensive income, which is a separate account within equity in the consolidated statement of financial position.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 2. Basis of preparation (continued):

### (d) Use of estimates and judgments:

The preparation of consolidated financial statements requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively. In making estimates, the Manager relies on external information and observable inputs where possible supplemented by internal analysis as required.

The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements are related to investments in mortgages and investments held at fair value:

### (i) Investments in mortgages:

The Trust is required to make an assessment of forward looking 'expected credit losses' ("ECL") for investments in mortgages. The expected credit loss model is further explained in Note 3(k)(ii). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary by a material amount.

### (ii) Investments held at fair value:

Included in the investments held at fair value are interests in limited partnerships created to enable the Trust to participate in loan sharing arrangements with financial institutions ("Special Purpose Entities"). Judgment is applied in assessing whether the Trust exercises control, joint control, significant influence or none of the above over the Special Purpose Entities.

Control is defined as the power to govern the financial and operating decisions of an entity so as to obtain benefits from its activities, and significant influence is defined as the power to participate in the financial and operating decisions of the Special Purpose Entities. The Trust has determined that it has neither control, joint control or significant influence as the Trust has no ability to control or influence any of the relevant activities of the Special Purpose Entities and has therefore measured the investments at fair value in accordance with IFRS 9.

The Trust estimates the value of these investments based on its assessment of the current lending market for mortgages of same or similar terms. Should the underlying assumptions around current market interest rates change, the estimated future cash flows and income could vary affecting fair value.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 2. Basis of preparation (continued):

(e) Adjustments to comparative consolidated statement of cash flows:

During the year ended December 31, 2025, management determined that cash flows from funding of net mortgage investments, repayments of net mortgage investments, previously classified as investing activities, should have been classified as operating activities in the consolidated statement of cash flows. In order to correct, the consolidated statement of cash flows for the year ended December 31, 2024 was revised as per the table below, with no change to total increase in cash and cash equivalents. The adjustment had no impact on the consolidated statement of comprehensive income (loss), consolidated statement of changes in net assets attributable to holders of redeemable units or consolidated statement of financial position.

	As previously reported	Adjustment	Per current presentation
Cash flows from (used in) operating activities	\$ 621	\$ (79,572)	\$ (78,951)
Cash flows from (used in) investing activities	(13,603)	79,572	65,969

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# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except where otherwise mentioned:

(a) Basis of presentation:

(i) Subsidiaries:

The consolidated financial statements comprise the financial statements of the Trust and subsidiaries controlled by the Trust. Control exists when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

The consolidated financial statements reflect the financial position, results of operations and cash flows of the Trust and its subsidiaries. Intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets of consolidated subsidiaries not held by the Trust and are presented separately in the consolidated statement of comprehensive income (loss) and within equity in the consolidated statement of financial position.

The Trust consolidates the following material subsidiaries:

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	Location of Registration	Percentage of ownership
Trez Capital Yield Trust Sub-Trust	British Columbia	100%
Victoria Customs House LP	British Columbia	60%
Trez Capital Yield Trust Blocker Corp	Delaware	100%

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The principal business activity of Trez Capital Yield Trust Sub-Trust and Trez Capital Yield Trust Blocker Corp is to carry out the investment activity of the Trust. The principal business activity of Victoria Customs House LP is investment in real estate development.

(ii) Investments held at fair value:

Investments over which the Trust does not have control or significant influence are accounted for at fair value. The Trust holds investments at fair value primarily for the purpose of participating in loan sharing arrangements with financial institutions.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(a) Basis of presentation (continued):

(iii) Investments in associates:

Investments over which the Trust holds significant influence are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee without actual control or joint control of those policies. Under the equity method, the investment is initially recognized at cost and is adjusted thereafter for the post-acquisition change in the Trust's share in the investee's net assets. The Trust's share of investee's profit or loss is included in the Trust's consolidated statement of comprehensive income (loss).

The Trust holds investments in associates primarily for the purpose of investing in real estate development projects.

(b) Cash and cash equivalents:

Cash consists of cash held at financial institutions and cash equivalents include securities with maturities of three months or less when purchased.

(c) Margin deposits:

Margin deposits relate to deposits made on foreign currency swap transactions.

(d) Property held for sale:

Property held for sale includes an investment property developed for a mixed-use.

Property held for sale is recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling costs.

Costs include all direct development costs and capitalized carrying costs related to holding the property held for sale, including borrowing costs.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(e) Other investments:

When the Trust obtains legal title of the underlying security of a mortgage investment, the carrying value of the mortgage investment, which is comprised of principal, costs incurred, accrued interest and the related provision for mortgage investment loss, if any, is reclassified from investments in mortgages to other investments as investment property.

At each reporting date, the investments are measured at fair value, with changes in fair value recorded in profit or loss in the period they arise. The Trust uses management's best estimate to determine fair value of the properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or obtaining property appraisals from independent valuation specialists.

(f) Promissory notes receivable:

Promissory notes are recorded at amortized cost using the effective interest rate method less any impairment.

(g) Redeemable units:

All units of the Trust are redeemable at the Unitholder's option and accordingly are classified as financial liabilities and presented as "net assets attributable to holders of redeemable units" in the consolidated statement of financial position. Units redeemed are accounted for in the period during which the redemption is effective. Resultant gains on redemption are recognized in the consolidated statement of comprehensive income (loss) in the same period.

During the year ended December 31, 2025, the Manager temporarily suspended the redemptions of units of the Trust as discussed in Note 1. As at December 31, 2025, the Trust completed a consolidation of its issued and outstanding units in order to return the net asset value per unit to \$10 per unit in accordance with the Trust's Declaration of Trust. The consolidation did not result in any change to net assets attributable to holders of redeemable units. The Trust consolidated its outstanding units on the basis of 1.2 pre-consolidation units for one post-consolidation unit.

(h) Revenue recognition:

Interest income is recognized in the consolidated statement of comprehensive income (loss) on an effective interest rate basis. For credit-impaired financial assets, interest revenue is recognized by applying the effective interest rate to the amortized cost of the financial asset. If the asset was credit-impaired upon initial recognition, a credit-adjusted effective interest rate is applied instead.

(i) Distributions on redeemable units:

Distributions to Unitholders on each series of redeemable units are made on a monthly basis, in arrears. The total distributions to be made in respect of the December 31 year-end will equal at least 100% of the Trust's taxable income for the year. Distributions on redeemable units are treated as an expense within the consolidated statement of comprehensive income (loss) following the units' classification as liabilities. Distributions are accrued in the period to which they relate.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(j) Foreign currency translation:

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the average rate of exchange prevailing for the period.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange as at the date of the consolidated financial statements.

(k) Financial instruments:

(i) Recognition, classification and measurement of financial assets and liabilities:

Under IFRS 9 on initial recognition, a financial asset is measured at fair value and subsequently classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets that are debt instruments under IFRS 9 are generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

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

Financial instruments subsequently measured at amortized cost are done so using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The most significant financial asset that is a debt instrument in the Trust is investments in mortgages. The objective of the Trust is to hold these investments and collect the contractual interest payments from the loans. The payments received by the Trust are solely payments of principal and interest; therefore, the asset meets the criteria under IFRS 9 to be measured at amortized cost.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(i) Recognition, classification and measurement of financial assets and liabilities (continued):

The Trust has classified its financial instruments as follows:

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	Classification
<b>Financial assets:</b>	
Cash and cash equivalents	Amortized cost
Due from related parties	Amortized cost
Investments in mortgages	Amortized cost
Promissory notes receivable	Amortized cost
Other assets	Amortized cost
Margin deposits	FVTPL
Foreign currency derivative assets	FVTPL
Investments held at fair value	FVTPL
<b>Financial liabilities:</b>	
Credit facility	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Management and incentive fees payable	Amortized cost
Distributions payable to holders of redeemable units	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost
Mortgage syndication liabilities	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost
Foreign currency derivative liabilities	FVTPL

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# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(ii) Impairment:

Under IFRS 9, an entity recognizes loss allowances for ECL to financial assets measured at amortized cost.

The Trust measures ECL on each balance sheet date according to a three-stage ECL impairment model:

Performing financial assets:

- Stage 1: From initial recognition of a financial asset to the date on which the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12-months following the reporting date.
- Stage 2: Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

Impaired financial assets:

- Stage 3: When a financial asset is considered credit-impaired and in default, it will be classified in Stage 3, and a loss allowance equal to credit losses expected over the remaining lifetime of the asset will be recorded.

In assessing whether a mortgage is in default, the Trust considers both quantitative and qualitative factors. This occurs when investments in mortgages are 90-days past due on interest payment or maturity date, when the Trust assesses that there has been a deterioration of credit quality to the extent the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest, and/or when the Trust has commenced enforcement remedies available to it under its contractual agreements.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Trust considers both quantitative and qualitative information that is reasonable and supportable and is relevant and available. There is a presumption in IFRS 9 that credit risk has increased significantly once payments are 30-days past due. However, the Trust's historical experience is that mortgages can become 30-days past due, but be brought up to date by the borrower, therefore another additional risk factor also needs to be identified for the mortgage to move to Stage 2.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(ii) Impairment (continued):

Other additional risk factors considered to identify a significant increase in credit risk are:

- Changes in the financial condition of the borrower;
- Responsiveness of the borrower;
- Current economic conditions: interest rates, housing prices, real estate and employment statistics; and
- Supportable forward-looking information: macroeconomic factors, such as interest rate forecasts.

Determining whether there has been a significant increase in credit risk since initial recognition, or a subsequent reduction in credit risk back to the level at initial recognition, requires the exercise of significant judgment. Judgment is also required in making assumptions and estimations when calculating the ECL, including movements between the three stages and the application of forward-looking information.

Significant increase in credit risk is also assessed relative to the risk of default on the date of a modification. If the Trust determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. The expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having a lifetime ECL, the loans can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

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

An ECL represents the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received. The application of the concept uses three inputs to measure ECL for commitments and mortgages receivable classified as Stage 1: probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(ii) Impairment (continued):

These inputs are determined at each reporting period using historical data and current conditions.

- **PD:** The PD represents the likelihood that a loan will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual loan is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.
- **EAD:** The EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default.
- **LGD:** The LGD is the amount that may not be recovered in the event of default and is modelled based on historic data and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

In assessing information about possible future economic conditions, the Trust utilizes multiple economic scenarios including the base case, which represents the most probable outcome and is consistent with the Trust's view of the portfolio. The calculation of ECL includes the incorporation of forecasts of future economic conditions. In determining ECL, the Trust has considered key macroeconomic variables that are relevant to each investment type. Key macroeconomic variables that drive the estimation of future cash flows include local real estate market values and conditions, as well as employment and population growth. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events.

Should the underlying assumptions change, the estimated future cash flows could vary. The forecast is developed internally by the Trust. The Trust exercises experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final ECL. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

To determine the amount the Trust expects to recover for an individually significant impaired financial asset, the Trust uses the value of the estimated future cash flows discounted at the original effective interest rate. The determination of estimated future cash flows of a collateralized impaired financial asset reflects our best estimate of the realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower. This estimate may change over time as new information becomes available or as work-out strategies evolve, resulting in revisions to the ECL. Security can vary by type of financial asset and may be in the form of cash, real estate properties, accounts receivable, guarantees, inventory or other capital assets.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(iii) Derecognition of financial assets and liabilities:

(A) Financial assets:

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or when the Trust neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Trust is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of: (i) the consideration received (including any new asset obtained less any new liability assumed); and (ii) any cumulative gain or loss that had been recognized in other income is recognized in the consolidated statement of comprehensive income (loss). In circumstances where the Trust retains all or substantially all risks and rewards of a transferred mortgage, the transferred mortgage is not derecognized and the transferred mortgage is recognized as a mortgage syndication liability on the consolidated statement of financial position.

(B) Financial liabilities:

The Trust derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

(iv) Loan modifications:

The Trust may modify the contractual terms of mortgages for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing and other terms to borrowers. Loans may also be modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

Upon the modification of the contractual terms of a financial asset, an assessment is made if the modified contractual terms are considered significant. The Trust considers one or a combination of the following factors as a significant change: a substantial interest rate reduction, an extension of the repayment term at a below market stated interest rate, a forgiveness of principal or accrued interest, or substantial changes to the collateral provided.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(iv) Loan modifications (continued):

When the modification is considered to be significant, the carrying amount of the original financial asset is derecognized and the fair value of the modified financial asset is recognized with the resulting gain or loss recognized in the consolidated statement of comprehensive income (loss). For the purposes of assessing if the financial asset experienced a significant increase in credit risk, the modification date is considered to be the origination date of the modified financial asset.

When the modification is not considered to be significant, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the consolidated statement of comprehensive income (loss). The origination date of the financial asset prior to the modification continues to be used for the purposes of assessing if the financial asset experienced a significant increase in credit risk.

(l) Accumulated other comprehensive income:

Accumulated other comprehensive income represents the cumulative translation adjustment of foreign operations whose functional currency is in Canadian dollars.

(m) Income taxes:

The Trust is a mutual fund Trust under the *Income Tax Act* (Canada). The Trust will allocate to its Unitholders taxable income including taxable capital gains that would otherwise attract Canadian tax in the Trust. Accordingly, no provision for Canadian income taxes will be reflected in the Trust's consolidated financial statements. Certain controlled subsidiaries of the Trust are required to pay income taxes to the U.S. Internal Revenue Service based on a determination of taxable income for U.S. tax purposes. Accordingly, current income tax recognized in the consolidated statement of comprehensive income (loss) is based on the subsidiary's U.S. taxable income for the year. Current tax, if any, is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are only recognized with respect to U.S. tax assets and liabilities. Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities, if any, are determined for each temporary difference based on currently enacted or substantively enacted tax rates that are expected to be in effect when the underlying items are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred income tax assets, such as net operating loss carryforwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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### 3. Material accounting policy information (continued):

(n) Standards issued but not yet effective:

As at December 31, 2025, a number of standards and amendments to standards had been issued by the IASB but are not yet effective for these consolidated financial statements.

(i) Presentation and Disclosure in Financial Statements:

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in the Financial Statements*, which replaces the guidance in IAS 1, *Presentation of Financial Statements* and sets out the requirements for presentation and disclosure of information, focusing on providing relevant information to users of the consolidated financial statements. IFRS 18 introduces changes to the structure of the consolidated statement of comprehensive income (loss), aggregation and disaggregation of financial information, and management-defined performance measures to be disclosed in the notes to the financial statements. The standard will be effective for the Trust on January 1, 2027. The Trust is currently assessing the impact of adopting this standard.

(ii) Amendments to the Classification and Measurement of Financial Instruments:

In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments*, which amended IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. The amendment address matters related to the classification of financial assets and accounting for settlement by electronic payments. The amendments clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social, and governance linked features and other similar contingent features. The amendments also clarify the treatment of non-recourse assets and contractually linked instruments. Furthermore, the amendments clarify that a financial liability is derecognized on the settlement date and provide an accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date if certain conditions are met. Financially, the amendments introduce additional disclosure requirements for financial instruments with contingent features and equity instruments classified as FVOCI. The amendments will be effective for the Trust on January 1, 2026. The Trust does not expect adoption of this amendment to have a material effect.

### 4. Foreign currency derivatives and margin deposits:

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange as the Trust has entered into foreign exchange contracts to manage most of its foreign exchange exposure. As at December 31, 2025, the Trust was participating in forward exchange contracts to sell U.S. dollars totaling \$318,420 (2024 - \$401,130). The foreign currency derivatives are marked-to-market on the consolidated statement of financial position. As at December 31, 2025, the fair value of assets is \$2,516 (2024 - \$131) and the fair value of liabilities is \$506 (2024 - \$8,577). The foreign currency derivatives are entered directly by the Trust with third-party financial institutions.

As at December 31, 2025, the margin deposit on foreign exchange contracts, which is considered a restricted cash balance, totaled nil (2024 - \$260).

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 5. Investments in mortgages:

The Trust holds conventional uninsured mortgages on the following types of properties:

Property type	2025		2024	
	Number	Amount	Number	Amount
Residential	51	\$ 241,851	66	\$ 428,782
Office	5	49,918	7	74,358
Industrial	5	17,231	5	45,178
Retail	2	12,457	2	17,763
Other	1	2,288	3	1,924
Mixed use	-	-	1	29,181
Hotel	-	-	1	12,883
<b>Total mortgages</b>	<b>64</b>	<b>323,745</b>	<b>85</b>	<b>610,069</b>
Mortgage syndications		116,168		140,635
Accrued interest		2,836		5,616
Less: Provision for expected credit loss		(92,062)		(3,302)
<b>Investment in mortgages</b>		<b>\$ 350,687</b>		<b>\$ 753,018</b>

Property location	2025		2024	
	Number	Amount	Number	Amount
Ontario	7	\$ 130,240	8	\$ 82,148
Alberta	13	88,912	15	146,563
British Columbia	12	41,053	15	72,694
Texas	14	37,990	22	138,147
Utah	1	7,338	2	24,284
North Carolina	4	4,629	5	20,437
Florida	4	3,231	5	46,139
Nova Scotia	1	2,705	1	4,990
Arizona	2	2,241	4	19,248
Colorado	1	1,715	-	-
Saskatchewan	1	1,100	-	-
Oregon	1	966	-	-
Washington	1	870	2	37,899
South Carolina	2	755	2	2,111
Indiana	-	-	1	5,535
Pennsylvania	-	-	1	5,256
California	-	-	1	4,617
Georgia	-	-	1	1
<b>Total mortgages</b>	<b>64</b>	<b>\$ 323,745</b>	<b>85</b>	<b>\$ 610,069</b>

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 11.6% (2024 –11.3%).

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 5. Investments in mortgages (continued):

Principal payments, net of mortgage syndication liabilities, are due based on contractual maturities of each loan as follows:

Maturity period	Number	Amount
Past due	5	\$ 69,780
Past due but not credit impaired	1	10
2026	38	223,061
2027	16	20,826
2028	3	6,950
2029 and beyond	1	3,118
	64	\$ 323,745

### (a) Mortgage syndication liabilities:

The Trust has entered into certain mortgage participation agreements with third-party lenders, whereby, the third-party lenders take the senior position, and the Trust retains the subordinated position, all of which is secured by first mortgage positions. As a result, the senior lenders' position is recorded as a nonrecourse mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in the consolidated statement of comprehensive loss.

For those investments which have not met the derecognition criteria, the participation transactions have resulted in the Trust recognizing the participating mortgages and corresponding mortgage syndication liabilities on its consolidated statement of financial position. As at December 31, 2025, the carrying value, which is equivalent to the fair value, of the transferred assets and corresponding liabilities is \$116,168 (2024 - \$140,635).

### (b) Provision for expected credit loss:

The gross carrying amounts of investments in mortgages and expected credit loss by property type are as follows:

Gross carrying amount	December 31, 2025			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 74,119	\$ 43,858	\$ 123,874	\$ 241,851
Industrial	17,231	-	-	17,231
Retail	12,457	-	-	12,457
Office	7,925	20,179	21,814	49,918
Other	2,288	-	-	2,288
	\$ 114,020	\$ 64,037	\$ 145,688	\$ 323,745

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 5. Investments in mortgages (continued):

(b) Provision for expected credit loss (continued):

Gross carrying amount	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 295,054	\$ 104,703	\$ 29,025	\$ 428,782
Office	32,662	37,046	4,650	74,358
Industrial	45,178	-	-	45,178
Mixed use	29,181	-	-	29,181
Retail	17,763	-	-	17,763
Hotel	12,883	-	-	12,883
Other	1,924	-	-	1,924
	\$ 434,645	\$ 141,749	\$ 33,675	\$ 610,069

Provision for expected credit loss	December 31, 2025			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 434	\$ -	\$ 79,385	\$ 79,819
Industrial	89	-	-	89
Retail	17	-	-	17
Office	10	115	12,002	12,127
Other	10	-	-	10
	\$ 560	\$ 115	\$ 91,387	\$ 92,062

Provision for expected credit loss	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 2,194	\$ -	\$ 270	\$ 2,464
Office	138	-	-	138
Industrial	565	-	-	565
Mixed use	1	-	-	1
Retail	53	-	-	53
Hotel	-	-	-	-
Other	81	-	-	81
	\$ 3,032	\$ -	\$ 270	\$ 3,302

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 5. Investments in mortgages (continued):

(b) Provision for expected credit loss (continued):

The changes in the provision for expected credit loss are shown in the following table:

	December 31, 2025			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2024	\$ 3,032	\$ -	\$ 270	\$ 3,302
Provision for expected credit loss:				
Transfers to Stage 1 <sup>(1)</sup>	-	-	-	-
Transfers to Stage 2 <sup>(1)</sup>	-	-	-	-
Transfers to Stage 3 <sup>(1)</sup>	(92)	-	92	-
Net remeasurement <sup>(2)</sup>	(373)	115	91,585	91,327
Mortgage advances	302	-	-	302
Mortgage repayments	(2,309)	-	-	(2,309)
Write-offs	-	-	(559)	(559)
Total movement	(2,472)	115	91,117	88,760
December 31, 2025	\$ 560	\$ 115	\$ 91,387	\$ 92,062

  

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2023	\$ 2,636	\$ 248	\$ 4,894	\$ 7,778
Provision for expected credit loss:				
Transfers to Stage 1 <sup>(1)</sup>	-	-	-	-
Transfers to Stage 2 <sup>(1)</sup>	-	-	-	-
Transfers to Stage 3 <sup>(1)</sup>	-	-	-	-
Net remeasurement <sup>(2)</sup>	(639)	55	(4,334)	(4,918)
Mortgage advances	1,779	-	-	1,779
Mortgage repayments	(744)	(53)	-	(797)
Write-offs	-	(250)	(290)	(540)
Total movement	396	(248)	(4,624)	(4,476)
December 31, 2024	\$ 3,032	\$ -	\$ 270	\$ 3,302

<sup>(1)</sup> Transfers between stages which are presumed to occur before any corresponding remeasurement of the provision.

<sup>(2)</sup> Net remeasurement represents the change in the allowance related to changes in model inputs or assumptions, including changes in macroeconomic conditions, and changes in measurement following a transfer between stages.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 6. Investments held at fair value:

The Manager has concluded that the Trust's limited partnership investments, in which it does not have control or significant influence, meet the definition of structured entities.

The table below describes the types of structured entities that the Trust does not consolidate but in which it holds an interest:

Type of structured entity	Nature and purpose	Interest held by the Trust
Limited partnerships participating in loan sharing	Limited partnerships created to enable the Trust to enter loan sharing arrangements with financial institutions.  The limited partnerships are financed by capital contributed by the Trust and entities related to the Trust in the form of limited partnership units and credit facilities with financial institutions.	Investment in limited partnership units
Limited partnerships managing real estate investments	Limited partnerships created to enable the Trust to manage certain real estate assets acquired through a foreclosure or foreclosure-like process.  The limited partnerships are financed by capital contributed by the Trust and entities related to the Trust in the form of limited partnership units.	Investment in limited partnership units

The table below sets out interest held by the Trust in investments held at fair value:

December 31, 2025	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
<b>Investments in Limited Partnerships:</b>			
Loan sharing	10	1,664,002	214,028
Real estate investments	4	133,531	64,842
	14	\$ 1,797,533	\$ 278,870

December 31, 2024	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
<b>Investments in Limited Partnerships:</b>			
Loan sharing	13	1,931,793	218,618
	13	\$ 1,931,793	\$ 218,618

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 6. Investments held at fair value (continued):

	2025	2024
Investment held at fair value, beginning of year	\$ 218,618	\$ 190,895
Fair value gain on investments held at fair value:		
Realized net interest income	3,220	16,365
Unrealized net interest income	1,896	3,090
Unrealized property loss	(20,344)	(333)
	(15,228)	19,122
Additions:		
In cash	446,751	215,629
By other financial assets	162,073	99,125
	608,824	314,754
Distribution paid:		
In cash	(504,480)	(273,042)
By other financial assets	(17,096)	(32,408)
	(521,576)	(305,450)
Impact of foreign exchange translation	(11,768)	18,451
Conversion to promissory note	-	(19,154)
Investment held at fair value, end of year	\$ 278,870	\$ 218,618

In the event a mortgage investment held by a structured entity enters default, the Trust may have the obligation to repay the third-party loan sharing partner. As at December 31, 2025, the total amount of third-party loan sharing the Trust is committed to repay in event of default was \$267,787 (2024 - \$247,730).

As at December 31, 2025, four structured entities investments with a carrying amount of \$71,492, had debt facilities from third-party loan sharing partners where certain financial covenants were not met. Subsequent to year-end, Management obtained a one-time waiver from the third-party loan sharing partners that waived the covenant breaches as at year-end.

During the year ended December 31, 2025, Trez Capital Inlet Limited Partnership ("Inlet"), a Special Purpose Entity under common control, was formed to enable the Trust to participate in a loan sharing arrangement with a financial institution whereby certain non-performing loans, interest in limited partnerships holding foreclosed assets, as well as loans advanced by Inlet to such limited partnerships holding foreclosed assets, are pledged by the Trust as collateral for a credit facility with the financial institution.

During the year ended December 31, 2025, the Trust transferred its interest in certain investments in mortgages with total fair value of \$51,425 to Inlet. In return, the Trust received limited partnership interest in Inlet that the Trust accounts for as an investment held at fair value and cash proceeds from credit facility of \$21,021.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 7. Property held for sale

	2025	2024
Property held for sale	\$ 1,064	\$ 7,702

Property held for sale represents a real estate development in Victoria, British Columbia held in a Limited Partnership that the Trust controls and consolidates. The Trust owns 60% of the units in the Limited Partnership. This property was used as collateral for the loan payable discussed in Note 12.

For the year ended December 31, 2025, costs of sales incurred on the sale of residential units were \$4,829 (2024 - \$8,157). In addition to cost of sales, expenses of \$2,174 (2024 - \$365) were incurred.

## 8. Other investments:

During the year ended December 31, 2020, the Trust acquired an office tower located in Edmonton, Canada, through a foreclosure-like process that was funded through an assumption of debt. This investment is classified as an investment property as described in Note 3(e).

The table below sets out the balances that comprise the carrying value of the investment:

	Net Realizable Value			Total
	Tangible real property	Manager-affiliated guarantee		
Balance, December 31, 2023	\$ 23,765	\$ 12,226	\$	35,991
Increase in value of guarantee	-	1,154	\$	1,154
Impairment	(9,765)	-	\$	(9,765)
Balance, December 31, 2024	14,000	13,380		27,380
Impairment	(250)	-		(250)
Non-cash proceeds	(10,000)	-		(10,000)
Settlement through offset against loan payable	-	(13,380)		(13,380)
Cash proceeds	(3,750)	-		(3,750)
Balance, December 31, 2025	\$ -	\$ -	\$	-

On July 9, 2025, the office tower and the Trust's interest in Trez CN Tower Holdings Ltd, the subsidiary that held the office tower, was sold to an arm's length party. Total consideration consisted of: (i) cash proceeds of \$3,750 and (ii) assumption of first mortgage payable described in Note 12 in the amount of \$10,000. During the year ended December 31, 2025, the Trust recorded a fair value loss on foreclosed property of \$250 (2024 - \$9,750).

As at December 31, 2024, the outstanding balance of loan payables secured by the investment, as discussed in Note 12, was \$31,474, which includes loan payables to entities related to the Manager by virtue of common ownership of \$13,380. On July 9, 2025, the Trust entered into debt forgiveness agreements with the lenders of these loans payable, pursuant to which a portion of the first mortgage payable was forgiven and the full amount of the second mortgage payable was forgiven.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 8. Other investments (continued):

As at December 31, 2024, a guarantee in the amount of \$13,380 had been provided by an affiliate of the Manager in respect of potential shortfalls on the realization of the investment. During the year ended December 31, 2025, the Trust settled the amount recoverable under the Manager-affiliated guarantee by offsetting the amount against loan payables owing by the Trust to entities related to the Manager as noted in Note 12.

During the year ended December 31, 2025, the Trust recorded a net gain of \$830 within expenses related to foreclosed property reflecting the debt forgiveness on first and second mortgage payable.

As at December 31, 2025, the outstanding balance of loan payables secured by the investment as discussed in Note 12 was nil (2024 - \$31,474), which includes loan payables to entities related to the Manager by virtue of common ownership of nil (2024 - \$13,380).

## 9. Promissory notes receivable:

	2025	2024
Secured promissory note from entity affiliated with the Manager bearing interest at greater of (i) 8.5% per annum and (ii) Wall Street Journal prime rate plus 2% and due December 31, 2034 <sup>(a)</sup>	\$ 17,131	\$ 19,154
Less: provision for expected credit loss	(5,860)	-
Secured promissory notes from entity affiliated with the Manager bearing interest at greater of (i) 8.5% per annum and (ii) Royal Bank of Canada prime rate plus 4.05% and due December 31, 2034 <sup>(a)</sup>	17,553	18,743
Unsecured promissory note from entity affiliated with the Manager bearing interest at the greater of (i) 8.0% per annum and (ii) Royal Bank of Canada prime rate plus 4.05% and due December 31, 2034 <sup>(b)</sup>	7,510	8,019
	\$ 36,334	\$ 45,916

(a) On December 31, 2024, an affiliate of the Manager acquired from the Trust \$37,897 in under-performing mortgages and investments held at fair value in exchange for secured promissory notes receivable as described above. The promissory notes are fully amortizing, repayable annually in 10 equal installments, and open for prepayment at any time without penalty. At the time of transfer, the carrying value of the transferred assets were equal to the par value of the promissory notes received by the Trust, and as such, no gain or loss was recognized.

(b) On December 31, 2024, the Manager waived management and incentive fees of \$14,958, including \$8,019 of management fees that had been paid to the Manager during the normal course of operations throughout the year. As a form of repayment, the Trust received an unsecured promissory note in the amount of \$8,019 with terms as described above. The promissory note is fully amortizing, repayable in 10 equal instalments and open for prepayment at any time without penalty.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 10. Credit facility:

During the year ended December 31, 2025, the Trust amended the terms to a revolving borrowing base credit facility with a Chartered bank located in Canada for available proceeds up to \$50,000 (2024 - \$85,000). As part of the amendment, the reference rate for term borrowing was updated from CDOR plus 2.5% to adjusted term CORRA plus 2.5%. The credit facility now bears interest at the lender prime rate plus 1.5% for demand borrowing and adjusted term CORRA plus 2.5% on a term basis. The credit facility is subject to an annual line fee equal to 0.625% of the available but undrawn portion of the credit facility. The credit facility matures on June 20, 2026.

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall (a) maintain an interest coverage ratio equal to or more than 3.0 to 1.0 calculated at the end of each fiscal quarter for the trailing 12-month period then ended (2024 – 3.0 to 1.0); (b) maintain at all times a total debt to tangible net worth ratio equal to or less than 0.5 to 1.0 (2024 – 0.5 to 1.0); and (c) maintain at all times a tangible net worth of \$500,000 (2024 - \$750,000).

As at December 31, 2025, there was nil drawn down on the credit facility (2024 - \$47,022).

As at December 31, 2025, certain financial covenants were not met. As a result, continued access to the credit facility is subject to the lender's consent. The Trust has not assumed availability of this credit facility in its liquidity forecasts.

# TREZ CAPITAL YIELD TRUST

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Year ended December 31, 2025

## 11. Distributions payable to holders of redeemable units:

The Trust distributes to its Unitholders taxable income including taxable capital gains.

Total distributions for each Unitholder are determined relative to the proportion of the year that the Unitholder was invested in the Trust. Distributions allocable to each series of Units will differ as a result of the deduction of the amounts payable in respect of trailer fees, as defined in the Declaration of Trust, for the Series A Units and the lower administration fee payable in respect of the Series I Units.

The total distributions, which include cash and notional distributions, to be made in respect of the December 31 year-end will at least equal 100% of the Trust's taxable income including gains and losses for tax purposes relating to fluctuations of the U.S. dollar relative to the Canadian dollar as explained in Note 15.

	2025	2024
Taxable income net of certain adjustments	\$ -	\$ 56,964
Cash distribution	(53,708)	(66,243)
Return of capital for tax purposes	(53,708)	(9,279)
Distributions payable to holders of redeemable units, beginning of year	2,330	2,425
Declared distribution:		
Cash distribution	53,708	66,243
Non-cash adjustment	-	-
	56,038	68,668
Payment	(27,637)	(28,362)
Declared distributions reinvested	(25,912)	(37,976)
Distributions payable to holders of redeemable units, end of year	\$ 2,489	\$ 2,330

Non-capital losses may be carried forward up to 20 years to reduce taxable income and realized capital gains in the future. Capital losses may be carried forward indefinitely to reduce future capital gains. As at December 31, 2025, the Trust had non-capital losses of \$68,909 (2024 – nil).

## 12. Loans payable:

	2025	2024
First mortgage payable secured by property-held-for-sale bearing interest at greater of 6.70% and prime plus 1.00% per annum maturing on May 1, 2025 (Note 8)	-	18,094
Second mortgage payable secured by property held-for-sale bearing interest at greater of 8.00% and prime plus 2.30% per annum. Payable to entities affiliated with the Manager maturing on May 1, 2025 (Note 8)	-	13,380
Total	\$ -	\$ 31,474

During the year ended December 31, 2025, the Trust incurred interest charges of \$1,076 (2024 - \$2,798) relating to loans payable.

As described in Note 8, on July 9, 2025, a portion of the first mortgage payable was forgiven, the full amount of the second mortgage payable was forgiven and the purchaser assumed the remaining balance of the first mortgage payable as part of the sale transaction.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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Year ended December 31, 2025

## 13. Redeemable units, representing net assets attributable to holders of redeemable units:

As at December 31, 2025, the Trust has authorized an unlimited number of Series A units, Series F units and Series I units (collectively, the "Units").

The holders of the Units are entitled to one vote per unit. Unitholders of the Trust have the limited right to redeem their units in the Trust, as described in its Offering Memorandum and paragraph 8.15 of the Trust's Declaration of Trust. The Units are redeemable on demand of the Unitholder upon 30 days' notice in increments of not less than \$5. If notice is received by the Manager, the redemption will occur within thirty days subsequent to the receipt of the redemption notice. Redemptions may be subject to a 1.0% discount if units are redeemed prior to their one-year anniversaries. The Manager is entitled to extend the time for payment of any Unitholder redemption for a maximum period of 180 days during any period in which the Manager determines that conditions exist which render the sale of assets of the Trust to be impractical or impair the ability of the Manager to determine the net asset value of the Trust. During the year ended December 31, 2025, the Manager temporarily suspended the redemptions of units of the Trust as discussed in Note 1.

All series of units have the same objectives, strategies and restrictions, but differ with respect to one or more of their features, such as fees and distributions. The Trust's Units do not meet the exception criteria in IAS 32 for classification as equity due to the redemption terms of the Units and the dissimilarity of features between series. As a result, the Units have been classified as financial liabilities under IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Series A units	2025		2024	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	2,884	\$ 28,068	3,293	\$ 32,179
Issued for cash	122	1,228	166	1,659
Issued for reinvested distributions	88	818	127	1,266
Redeemed for cash	(572)	(5,724)	(687)	(6,870)
Transfer between series	(32)	(313)	(15)	(154)
Decrease in net assets	-	(3,851)	-	(12)
Consolidation of units	(463)	-	-	-
Issued and outstanding, end of year	2,027	\$ 20,226	2,884	\$ 28,068

# TREZ CAPITAL YIELD TRUST

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Year ended December 31, 2025

## 13. Redeemable units, representing net assets attributable to holders of redeemable units (continued):

Series F units	2025		2024	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	45,485	\$ 448,989	50,317	\$ 497,500
Issued for cash	2,934	29,337	5,807	58,073
Issued for reinvested distributions	1,547	14,316	1,893	18,930
Redeemed for cash	(8,737)	(87,366)	(6,750)	(67,498)
Transfer between series	(1,333)	(13,333)	(5,782)	(57,821)
Decrease in net assets	-	(69,357)	-	(195)
Consolidation of units	(7,554)	-	-	-
<b>Issued and outstanding, end of year</b>	<b>32,342</b>	<b>\$ 322,586</b>	<b>45,485</b>	<b>\$ 448,989</b>

  

Series I units	2025		2024	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	38,781	\$ 384,174	38,781	\$ 384,337
Issued for cash	380	3,800	429	4,287
Issued for reinvested distributions	1,163	10,778	1,778	17,780
Redeemed for cash	(2,719)	(27,192)	(8,004)	(80,039)
Transfer between series	1,365	13,646	5,797	57,975
Decrease in net assets	-	(70,110)	-	(166)
Consolidation of units	(7,376)	-	-	-
<b>Issued and outstanding, end of year</b>	<b>31,594</b>	<b>\$ 315,096</b>	<b>38,781</b>	<b>\$ 384,174</b>

  

Total units	2025		2024	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	87,150	\$ 861,231	92,391	\$ 914,016
Issued for cash	3,436	34,365	6,402	64,019
Issued for reinvested distributions	2,798	25,912	3,798	37,976
Redeemed for cash	(12,028)	(120,282)	(15,441)	(154,407)
Decrease in net assets	-	(143,318)	-	(373)
Consolidation of units	(15,393)	-	-	-
<b>Issued and outstanding, end of year</b>	<b>65,963</b>	<b>\$ 657,908</b>	<b>87,150</b>	<b>\$ 861,231</b>

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 14. Related party transactions and balances:

Related party transactions that are not disclosed elsewhere in these consolidated financial statements are as follows:

	Notes	2025	2024
<b>Transaction and balance related to the Manager:</b>			
Management and incentives fees:	(a)		
Management fee		\$ 13,899	\$ 7,300
Incentive fee		-	-
Management and incentive fees payable		1,013	1,322
<b>Transaction and balance related to the Manager and other related parties:</b>			
Transfer of investments in mortgages:	(c)		
Investment in mortgages purchased		7,396	8,906
Investment in mortgages sold		73,120	47,995
Co-investment in mortgages and investments held at fair value:	(d)		
Co-investment in mortgages		350,687	753,013
Co-investment in investments held at fair values		278,870	218,618
Amounts due to and from related parties:	(e)		
Amount due from related parties		12,563	30,191
Amount due to related parties		2,593	5
<b>Non-controlling interest:</b>	(f)		
Non-controlling interest		-	-
Net income attributable to non-controlling interest		-	71

### (a) Management and incentive fees:

The Trust is managed by the Manager pursuant to the terms and conditions of the Declaration of Trust, a summary of which is set out in the most current Offering Memorandum. Certain Manager duties may be performed by an entity or entities related to the Manager through common control.

Pursuant to the terms and conditions of the Declaration of Trust, the Manager is entitled to receive an annual fee (the "Management Fee") payable monthly from the Trust in respect of each series of units. For Series A Units and Series F Units, this fee is equal to 1.5% of the proportionate share of the average gross assets of the Trust plus applicable taxes. For Series I Units, this fee is equal to 1.15% of the proportionate share of the average gross assets of the Trust plus applicable taxes. The average gross assets of the Trust are calculated by using a simple moving average of the month end value of all assets of the Trust. For each series of units of the Trust, the Manager receives an additional fee (the "Incentive Fee") equal to 10% of net earnings and capital gains plus applicable taxes but prior to the deduction for the Incentive Fee, payable annually.

The Manager and its affiliates are responsible for the expenses of the initial offering of units, other than brokerage fees, as well as employment expenses of its personnel, rent and other office expenses. The Manager is not responsible for any taxes payable by the Trust or to which the Trust may be subject. The Trust will reimburse the Manager for all expenses incurred in the management of the Trust except as previously noted.

# TREZ CAPITAL YIELD TRUST

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(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

## 14. Related party transactions and balances (continued):

### (a) Management and incentive fees (continued):

	2025	2024
Management and incentive fees payable, beginning of year	\$ 1,322	\$ 697
Management fee	13,899	15,319
Management fee waiver	-	(8,019)
	13,899	7,300
Incentive fee	-	6,939
Incentive fee waiver	-	(6,939)
	-	-
Fees paid	(14,208)	(6,675)
Management and incentive fees payable, end of year	\$ 1,013	\$ 1,322

### (b) Guarantees provided by an affiliate of the Manager:

An affiliate of the Manager has provided a series of limited and unlimited guarantees intended to safeguard and indemnify the Trust from incurring future realized losses on specific mortgage investments and property held for sale.

#### (i) Limited guarantees:

During the year ended December 31, 2024, the Manager-affiliate had extended limited guarantees to the Trust with a total maximum exposure as at December 31, 2025 of \$25,600 (2024 - \$25,600) in connection with six assets (2024 – six assets).

During the year ended December 31, 2025, the Trust recognized losses totaling \$25,600 (2024 - nil) in the consolidated statement of comprehensive income (loss), comprising provisions for expected credit losses and fair value losses on investments held at fair value. These losses arose following the reassessment of credit support previously provided through guarantees issued by an affiliate of the Manager, which were outstanding during the year ended December 31, 2024. The guarantees were not recognized as separate financial assets; rather, changes in the availability and effectiveness of the guarantees were reflected in the measurement of the underlying financial assets in 2025.

#### (ii) Unlimited guarantees:

As at December 31, 2024, the Manager-affiliate had extended unlimited guarantees to the Trust. During the year ended December 31, 2025, the remaining guaranteed mortgage investment was paid out in full and guarantee was extinguished.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 14. Related party transactions and balances (continued):

(c) Transfer of investments in mortgages:

The Trust generally invests in an interest in a mortgage at the time the mortgage is funded. However, at any time during the term of the mortgage, it may acquire an interest from or sell its interest in a mortgage to parties related to the Manager, Trustee and Mortgage Broker. Purchases from and sales to related parties are transacted at unpaid principal plus accrued interest due at the date of the transaction which is equivalent to the estimated fair values of the related mortgages.

(d) Co-investment in mortgages and investments held at fair value:

The Trust has invested in a mortgage portfolio as of December 31, 2025 and 2024, virtually all of which are made on a participation basis with related parties.

The Trust has invested in investments held at fair value created to enable the Trust to enter into loan sharing arrangements with financial institutions and real estate development. The balances as of December 31, 2025 and 2024 are made on a participation basis with related parties.

(e) Amounts due to and from related parties:

The balance related to amounts on deposit in a trust account administered by the Mortgage Broker and amounts receivable for invoices paid on behalf of related parties.

(f) Co-investment in associates and joint ventures:

As at December 31, 2025, the Trust has co-invested in associates and joint ventures investments with the owners of the Manager and their close family members and other Trez managed funds which are related parties by virtue of common management, as follows:

- As at December 31, 2025, the owners of the Manager and their close family members own 42% (2024 – 42%) of the units of T-NWBP Investments LP.
- As at December 31, 2025, the owners of the Manager and their close family members own 8% (2024 – 8%) of the units of TC Logan Park Investments LP.

(g) Investments acquired from the Trust by an affiliate of the Manager:

During 2022, an entity related to the Manager acquired from an unrelated borrower, the title of two residential properties located in Edmonton, Alberta, in exchange for mortgages payable to the Trust and other affiliated entities. On the date of the transaction, the total mortgage balance payable to the Trust was \$46,426.

During 2022, the Manager-affiliate paid the Trust a total of \$14,803 from proceeds generated from a second mortgage. During 2023, one of the two properties were sold, and the Trust received a further paydown of \$14,238. During 2024, the remaining property was sold, and the Trust received final proceeds of \$20,914 from the entity related to the Manager.

As at December 31, 2024, the Trust received full repayment of principal and interest from these mortgages assumed by the Manager-affiliate with no further amounts owing.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 15. Income taxes:

The Trust qualifies as a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act").

The Trust allocates taxable income including taxable capital gains that would otherwise attract tax in the Trust to its Unitholders. Accordingly, no provision for Canadian income taxes is reflected in its consolidated financial statements.

For purposes of the Tax Act, the Trust is required to compute its Canadian tax results using Canadian currency. Where an amount that is relevant in computing the Trust's Canadian tax results is expressed in U.S. dollars, such amount must be converted to Canadian currency, generally using the rate of exchange on the day such amount arose. As a result, the Trust may realize gains and losses for tax purposes by virtue of the fluctuation of the value of the U.S. dollar relative to Canadian dollar.

Any taxable income realized by the Trust for a particular taxation year will be paid or be made payable to Unitholders and is thus required to be included in computing Unitholders' income for Canadian tax purposes.

## 16. Fair value measurements:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Trust's assets or liabilities that are measured at fair value or for which fair value disclosure is required. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1 measurement") and the lowest priority to unobservable inputs ("Level 3 measurements").

The three levels of the fair value hierarchy are as follows:

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

# TREZ CAPITAL YIELD TRUST

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Year ended December 31, 2025

## 16. Fair value measurements (continued):

December 31, 2025	Carrying value		Fair value
	Amortized cost	FVTPL	
<b>Financial assets not measured at fair value:</b>			
Cash and cash equivalents	\$ 99,987	\$ -	\$ 99,987
Due from related parties	12,563	-	12,563
Investments in mortgages	350,687	-	350,687
Promissory notes receivable	36,334	-	36,334
<b>Financial assets measured at fair value:</b>			
Foreign currency derivative assets	-	2,516	2,516
Investments held at fair value	-	278,870	278,870
<b>Financial liabilities not measured at fair value:</b>			
Accounts payable and accrued liabilities	\$ 1,744	\$ -	\$ 1,744
Management and incentive fees payable	1,013	-	1,013
Distributions payable to holders of redeemable units	2,489	-	2,489
Due to related parties	2,593	-	2,593
Mortgage syndication liabilities	116,168	-	116,168
Redeemable units, representing net assets attributable to holders of redeemable units	657,908	-	657,908
<b>Financial liabilities measured at fair value:</b>			
Foreign currency derivative liabilities	-	506	506
<b>December 31, 2024</b>			
December 31, 2024	Carrying value		Fair value
	Amortized cost	FVTPL	
<b>Financial assets not measured at fair value:</b>			
Cash and cash equivalents	\$ 10,700	\$ -	\$ 10,700
Due from related parties	30,191	-	30,191
Investments in mortgages	753,018	-	753,018
Promissory notes receivable	45,916	-	45,916
Other assets	-	-	-
<b>Financial assets measured at fair value:</b>			
Margin deposits	-	260	260
Foreign currency derivative assets	-	131	131
Investments held at fair value	-	218,618	218,618
<b>Financial liabilities not measured at fair value:</b>			
Credit facility	\$ 47,022	\$ -	\$ 47,022
Accounts payable and accrued liabilities	2,538	-	2,538
Management and incentive fees payable	1,322	-	1,322
Distributions payable to holders of redeemable units	2,330	-	2,330
Due to related parties	5	-	5
Loans payable	31,474	-	31,474
Mortgage syndication liabilities	140,635	-	140,635
Redeemable units, representing net assets attributable to holders of redeemable units	861,231	-	861,231
<b>Financial liabilities measured at fair value:</b>			
Foreign currency derivative liabilities	-	8,577	8,577

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2025 and 2024.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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Year ended December 31, 2025

## 16. Fair value measurements (continued):

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

(a) Investments in mortgages and mortgage syndication liabilities:

There is no quoted price in an active market for the mortgage investments or mortgage syndications. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these investments in mortgages approximates their carrying value given the amounts consist of primarily of short-term variable interest rate loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of investments in mortgages is based on Level 3 inputs.

(b) Investments held at fair value:

There is no quoted price in an active market for the investments held at fair value. The investments held at fair value consists of a portion of mortgage loans in the United States. The Manager makes its determination of fair value based on its assessment of the current lending market and credit risk for mortgage investments of same or similar terms. The fair value of the portfolio of mortgage loans has been determined based on a cash flow model. Discount rates are based on current market rates and adjusted for any change in the credit risk of the borrower.

Typically, the fair value of these investments approximates their carrying value given the investments consist of short-term mortgages and the mortgages have variable interest rates. The fair value of investments held at fair value is based on Level 3 inputs.

A reconciliation of Level 3 investments held at fair value at December 31, 2025 is provided in Note 6.

The key valuation techniques used in measuring the fair values of investments held at fair value include:

Description	Valuation technique	Significant unobservable input	Interrelationship between key unobservable inputs and fair value measurement
Limited partnerships participating in loan sharing	Discounted cash flow	Discount rate	The estimated fair value would increase (decrease) if the discount rate was lower (higher).
Limited partnerships managing real estate investments	Income approach	Capitalization rate	The estimated fair value would increase (decrease) if capitalization rates were lower (higher).
Limited partnerships managing real estate investments	Direct comparison approach	Price per buildable unit	The estimated fair value would increase (decrease) if the price per buildable unit based on comparable market transactions increased (decreased).

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Year ended December 31, 2025

## 16. Fair value measurements (continued):

### (b) Investments held at fair value (continued):

Description	Significant unobservable input	Fair value as of December 31, 2025	Range for unobservable inputs / (weighted average)	Sensitivity to changes in significant unobservable inputs (impact on the asset value)
Limited partnerships participating in loan sharing	Discount rate	\$ 213,082	7.33% - 13.25%	1% increase in rate (1,441) 1% decrease in rate 1,459
Limited partnerships managing real estate investments	Capitalization rate	62,816	5.04% - 7.17%	0.5% increase in rate (6,567) 0.5% decrease in rate 7,790
Limited partnerships managing real estate investments	Price per buildable unit	2,972	15,120	10% increase in price 298 10% decrease in price (296)

### (c) Foreign currency derivatives:

The Trust has entered into foreign exchange contracts to mitigate the impact from fluctuations in foreign exchange rates. The Manager determines the fair value of foreign currency derivatives with reference to quotations from third-party derivative dealers and accepts the amount as fair value for the derivatives. As a result, the fair value of foreign currency derivatives is based on Level 2 inputs.

### (d) Other financial assets and liabilities:

The carrying values of financial assets and financial liabilities not measured at fair values, such as cash and cash equivalents, due from related parties, other assets, credit facility, accounts payable and accrued liabilities, management and incentive fees payable, distributions payable to holders of redeemable units, due to related parties, and loans payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

### (e) Net assets attributable to holders of redeemable units:

The Trust routinely redeems and issues redeemable units at the amount equal to the proportionate share of net assets of the Trust at the time of redemption, calculated on a basis consistent with that used in these consolidated financial statements. Accordingly, the carrying amount of the net assets attributable to holders of redeemable units approximates their fair value and are based on Level 2 inputs.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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Year ended December 31, 2025

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## 16. Fair value measurements (continued):

(f) Promissory notes receivable:

There is no quoted price in an active market for promissory notes receivable. The Manager makes its determination of fair value based on its assessment of the current lending market for financial instruments of same or similar terms. Typically, the fair value of promissory notes receivable approximates their net carrying value given the amounts consist of primarily of variable interest rate loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of promissory notes receivable is based on Level 3 inputs.

## 17. Financial instruments and risk management:

The Trust has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Manager's risk management policies are typically performed as a part of the overall management of the Trust's operations. The Manager is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Trust may be exposed to a number of risks that could affect its operating performance. The Manager's close involvement in operations will help to identify risks and variations from expectations. The Trust has not designated any transactions as hedging transactions to manage risk.

As a part of the overall operation of the Trust, the Manager considers the avoidance of undue concentrations of risk. The risk and the actions taken to manage them include the following:

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation that it has entered into with the Trust, resulting in a financial loss to the Trust. This risk arises principally from investments in mortgages and promissory notes receivable. For risk management reporting purposes, the Trust considers and consolidates all elements of credit risk exposure (such as loan-to-value, sector risk, location risk, and individual obligor default risk).

The Trust manages its credit risk through extensive initial due diligence and careful monitoring of its mortgage portfolio, active communications with borrowers and the institution of aggressive enforcement procedures on defaulting mortgages by its Mortgage Broker, and by matching the cash flow profile of the assets and liabilities.

All mortgage investments that are directly held or held through a Special Purpose Entity are approved by the Credit Committee comprised of senior management of the Mortgage Broker. The Mortgage Broker's Credit Committee reviews its policies regarding its lending limits on an ongoing basis.

# TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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## 17. Financial instruments and risk management (continued):

### (a) Credit risk (continued):

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2025, is represented by the respective carrying amounts of the relevant financial assets in the consolidated statement of financial position.

As at December 31, 2025, if we assumed 100% weight on the base case forecast, with other assumptions held constant, provision for expected credit loss would decrease by \$515. As at December 31, 2025, if we assumed 100% weight on the severe downside forecast, with other assumptions held constant, provision for expected credit loss would increase by \$4,210.

As at December 31, 2025, the carrying value of investments in mortgages that were impaired is \$145,688. As at December 31, 2025, a 10% decrease in the collateral value on these investment in mortgages would increase provision for expected credit loss by \$13,204 and a 10% increase in the collateral value would decrease the provision for expected credit loss by \$13,513.

### (b) Liquidity risk:

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Trust's liquidity requirements relate to its obligations related to its credit facility, accounts payable and accrued liabilities, management and incentive fees payable, distributions payable to holders of redeemable units, due to related parties, loans payable, mortgage syndication liabilities, redeemable units, representing net assets attributable to the holder, and its obligations to make future advances under its existing mortgage portfolio. Liquidity risk is managed by ensuring that the sum of projected repayments under the existing mortgage portfolio and investments held at fair value and the sourcing of other borrowing facilities, exceeds projected needs including funding of further advances under existing and new mortgage investments.

Management manages liquidity risk within established limits and ensures that business and strategic plans align with those limits. The Mortgage Broker's Credit Committee reviews and assesses the cash flow profiles of the presented real estate investments to ensure that they align with the approved investment objectives of the Trust or other Trez managed funds. The Manager, through its Investment Allocation Committee comprising of senior executives, has the authority to make mortgage and real estate equity investment allocation decisions for the Trust and approve any investment recommendations including initial allocations and inter-fund trades based on the suitability of the investment for the Trust. On a regular basis, a loan-by-loan cash flow forecast is prepared and reviewed by the Liquidity Committee with recommendations provided to management as required. Stress testing is included in cash flow forecasts to address key liquidity risks and liquidity buffers are maintained to mitigate key risks related to loan extensions, hedging, and macroeconomic changes in capital raising environments.

The Trust is not contractually obligated to invest in any mortgages originated by the Manager, and therefore, has no contractual future funding obligations in respect to the Manager's mortgage commitments.

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Year ended December 31, 2025

## 17. Financial instruments and risk management (continued):

### (b) Liquidity risk (continued):

Accounts payable and accrued liabilities arise from normal operating expenses and are expected to be settled within three months of year-end.

Unitholders of the Trust have the limited right to redeem their units in the Trust, as described in its Offering Memorandum and paragraph 8.15 of the Trust's Declaration of Trust. The Manager is entitled to extend the time for payment of any Unitholder redemption for a maximum period of 180 days during any period in which the Manager determines that conditions exist which render the sale of assets of the Trust to be impractical or impair the ability of the Manager to determine the net asset value of the Trust. Refer to Note 1 for more details on the suspension of redemptions.

The following table shows the contractual timing of cashflows:

December 31, 2025	Carrying value	Contractual Cash flow	Within a year	Following year	3-5 years	5+
Accounts payable and accrued liabilities	\$ 1,744	1,744	1,744	-	-	-
Management and incentive fees payable	1,013	1,013	1,013	-	-	-
Distributions payable to holders of redeemable units	2,489	2,489	2,489	-	-	-
Due to related parties	2,593	2,593	2,593	-	-	-
Total contractual liabilities, excluding mortgage syndication liabilities	\$ 7,839	7,839	7,839	-	-	-

1. As at December 31, 2025, there was nil drawn down on the credit facility (Note 10).

2. The principal repayments of mortgage syndication liabilities by contractual maturity date are shown net with investments in mortgages in Note 5.

As at December 31, 2025, the Trust had a cash and cash equivalent position of \$99,987 (2024 - \$10,700). Management believes the Trust will be able to finance its operations using the cash flow generated from operating activities and investing activities.

### (c) Market risk:

Market risk is the risk that changes in market factors, such as interest rates, currency and other price risks will affect the Trust's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Trust's strategy for the management of market risk is driven by the Trust's investment objective which is to invest in a diversified portfolio of mortgages on real property located within Canada and United States that preserves capital and generates returns in order to permit the Trust to pay monthly distribution to its Unitholders.

The Trust's market risk is managed on a regular basis by the Manager in accordance with policies and procedures in place.

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Year ended December 31, 2025

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## 17. Financial instruments and risk management (continued):

### (c) Market risk (continued):

#### (i) Interest rate risk:

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Trust's interest rate risk is primarily attributable to its return on investments in mortgages and investments held at fair value relative to its resources to fund the investments. A significant rise in interest rates may cause Unitholders to redeem their Units and could cause a shortfall in funds available to meet such redemptions. The Trust manages interest rate risk by generally investing in short-term variable rate mortgages with floor rates which are greater than the rate charged by its lenders. The Trust also charges a 1% penalty on redemptions made prior to the Units' first year anniversary.

As at December 31, 2025, a 0.25% increase in the interest rates with all other variables held constant would increase the Trust's income by approximately \$1,757 (2024 - increase by \$1,914) arising from income generated on the Trust's cash deposits and higher interest income generated on variable rate investments in mortgages that are directly held or held through a Special Purpose Entity after deducting increased interest expense from its borrowing facilities.

#### (ii) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust's functional currency is the Canadian dollar.

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange on the Trust's obligation to redeem Canadian series units in Canadian dollars as explained in Note 4. As at December 31, 2025, the Trust was participating in forward exchange contracts to sell U.S. dollars totaling \$318,420 (2024 - \$401,130).

The foreign currency derivatives are marked-to-market on the consolidated statement of financial position. As at December 31, 2025, the fair value of assets is \$2,516 (2024 - \$131) and the fair value of liabilities is \$506 (2024 - \$8,577). The foreign currency derivatives are entered directly by the Trust with third party financial institutions.

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Year ended December 31, 2025

## 17. Financial instruments and risk management (continued):

(c) Market risk (continued):

(ii) Currency risk (continued):

The table below indicates the foreign currency to which the Trust had over hedged exposure at December 31, 2025 and 2024. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to the other currency, with all other variables held constant.

Increase (decrease) in Canadian dollars:

		2025	
Currency	Exposure		Impact on net assets attributable to redeemable units
United States dollars exposure	\$ 34,209	\$	1,629
% of net assets attributable to redeemable units	5.20%		0.25%

  

		2024	
Currency	Exposure		Impact on net assets attributable to redeemable units
United States dollars exposure	\$ 224	\$	11
% of net assets attributable to redeemable units	0.03%		0.00%

(iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust is exposed to price risk because of its investments in mortgages and real estate development projects. These risks arise from changes in the real estate market and could be local, national or global in nature. Deteriorating real estate values increase the Trust's risk. The Trust manages these risks by actively maintaining strong borrower relationship and active monitoring of all loans. Further, the Trust has diversified its portfolio of investments in mortgages geographically to manage this risk.

# TREZ CAPITAL YIELD TRUST

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## **18. Capital management:**

The Trust considers redeemable units, representing net assets attributable to holders of redeemable units to be capital, which at December 31, 2025 was \$657,908 (2024 - \$861,231).

The Trust's objective when managing capital is to maintain its ability to continue as a going concern and ensure that it has sufficient cash resources to invest in mortgages in order to provide a return to its Unitholders. To secure the additional capital necessary to pursue these plans, the Trust may attempt to raise additional funds through the issuance of additional units. Refer to Note 13 for discussion on the Manager's ability to extend the time for payment of any Unitholder redemption.

The Trust, through its Manager, manages its capital structure and makes adjustments as appropriate based on the funds available to the Trust in order to support the continued investment in mortgages and other investments. The Manager's investment strategy continues to be to preserve investor capital, while providing a consistent stream of income.

The Trust is not subject to externally imposed capital requirements other than those described in Note 10 and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Declaration of Trust.

## **19. Commitments and contingencies:**

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

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Trust's consolidated financial position. The Trust's estimate involves significant judgement, given the fact that the Trust's liability, if any, has yet to be determined and as such could vary by a material amount in the future should this change.