## MORTGAGES AND LOAN RECEIVABLE

Contractual mortgages and loans receivable as at December 31, 2020 and December 31, 2019 are comprised of the following:

| *(thousands of dollars)* | Contractual interest rates | | | | |
|---|---|---|---|---|---|
| As at | Low | High | Weighted average interest rate (i) | **December 31, 2020** | December 31, 2019 |
| Mezzanine financing to co-owners | 4.20% | 6.35% | 5.66% | **$ 128,884** | $ 155,399 |
| Vendor-take-back and other | 5.00% | 6.35% | 5.64% | **31,762** | 20,552 |
| **Total** | 4.20% | 6.35% | 5.65% | **$ 160,646** | $ 175,951 |

(i) Information presented as at December 31, 2020.

All of the $160.6 million of mortgages and loans receivable as at December 31, 2020 are carried at amortized cost. RioCan's Declaration of Trust contains provisions that have the effect of limiting the aggregate value of the investment by the Trust in mortgages, other than mortgages taken back on the sale of RioCan's properties, to a maximum of 30% of consolidated Unitholders' equity. Additionally, RioCan is limited in the amount of capital that can be invested in greenfield developments and development properties held for resale, including any mortgages receivable to fund the co-owners' share of such developments referred to as mezzanine financing, to no more than 15% of the book value of RioCan's total consolidated Unitholders' equity. At December 31, 2020, RioCan was in compliance with these restrictions.

## CAPITAL RESOURCES AND LIQUIDITY

### Capital Management Framework

RioCan defines capital as the aggregate of Unitholder and preferred unitholders' equity and debt. The Trust's capital management framework is designed to maintain a level of capital that:

- complies with investment and debt restrictions pursuant to the Trust's Declaration;
- complies with debt covenants;
- enables RioCan to achieve target credit ratings;
- funds the Trust's business strategies and builds long-term Unitholder value.

The key elements of RioCan's capital management framework are set out in the Declaration of Trust, and/or approved by the Trust's Board, through the Board's annual review of the strategic plan and budget, supplemented by periodic Board and related committee meetings. Management monitors capital adequacy of the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the Declaration of Trust and debt covenants (refer to Note 26 of RioCan's 2020 Annual Consolidated Financial Statements). In selecting appropriate funding choices, RioCan's objective is to manage its capital structure such that it diversifies its funding sources while minimizing its funding costs and risks. RioCan expects to be able to satisfy all of its financing requirements through the use of some or all of the following: cash on hand, cash generated by operations, refinancing of maturing debt, utilization of its operating line of credit, credit facilities, construction financing facilities, sale of non-core and secondary market properties, and through public offerings of unsecured debentures and common equity. In challenging market conditions, the Trust could finance certain assets currently unencumbered by debt or issue preferred units.

### Total Capital

RioCan uses both debt and equity in its capital structure, which is summarized as follows as at December 31, 2020

| *(thousands of dollars)* | IFRS | | RioCan's proportionate share | |
|---|---|---|---|---|
| As at | **December 31, 2020** | December 31, 2019 | **December 31, 2020** | December 31, 2019 |
| Capital: | | | | |
| Debentures payable | **$ 3,340,278** | $ 2,891,648 | **$ 3,340,278** | $ 2,891,648 |
| Mortgages payable | **2,797,066** | 2,412,451 | **2,905,403** | 2,514,178 |
| Lines of credit and other bank loans | **790,539** | 1,086,719 | **819,255** | 1,106,105 |
| Total debt | **$ 6,927,883** | $ 6,390,818 | **$ 7,064,936** | $ 6,511,931 |
| Total equity | **7,734,973** | 8,305,211 | **7,734,973** | 8,305,211 |
| Total capital | **$ 14,662,856** | $ 14,696,029 | **$ 14,799,909** | $ 14,817,142 |
| Total assets | **$ 15,267,708** | $ 15,188,326 | **$ 15,414,445** | $ 15,317,298 |
| Cash and cash equivalents (i) | **$ 238,456** | $ 93,516 | **$ 240,659** | $ 96,564 |

(i) Included in total assets.

## Debt Metrics

The following table summarizes the Trust's key debt metrics presented on both an IFRS and RioCan's proportionate share basis:

| | | Rolling 12 months ended | | | |
|---|---|---|---|---|---|
| | | IFRS | | RioCan's proportionate share | |
| | Targeted Ratios | **December 31, 2020** | December 31, 2019 | **December 31, 2020** | December 31, 2019 |
| Ratio of total debt to total assets (net of cash and cash equivalents) (i) | 38.0%-42.0% | **44.5%** | 41.7% | **45.0%** | 42.1% |
| Debt to Adjusted EBITDA (i) | <8.0x | **9.49** | 8.05 | **9.47** | 8.06 |
| Interest coverage (i) | >3.00x | **3.11** | 3.52 | **3.10** | 3.50 |
| Debt service coverage (i) | >2.25x | **2.60** | 2.98 | **2.60** | 2.96 |
| Fixed charge coverage (i) | >1.10x | **1.02** | 1.15 | **1.03** | 1.16 |
| Ratio of floating rate debt to total debt | <15.0% | **1.3%** | 6.1% | **1.9%** | 6.4% |
| Weighted average term to maturity (in years) (ii) | | **3.86** | 3.69 | **3.83** | 3.67 |
| Weighted average contractual interest rate (ii) | | **3.13%** | 3.34% | **3.14%** | 3.36% |
| Weighted average effective interest rate (ii) | | **3.21%** | 3.44% | **3.22%** | 3.46% |

(i) Refer to the *Non-GAAP Measures* section of this MD&A for further details. See tables below for the calculation of Adjusted EBITDA for the respective periods.

(ii) Information is as of respective year end.

The Trust's leverage ratio (total debt to total assets) at proportionate share increased from December 31, 2019, mainly due to higher debt levels resulting from timing of development completions relative to development spends and the impacts of the pandemic on the Trust's property operations and valuations. The Trust remains committed to maintaining a strong balance sheet.

The Trust's Debt to Adjusted EBITDA at proportionate share increased to 9.47x for the year relative to the prior year. The increase was primarily due to lower Adjusted EBITDA as a result of the COVID-19 pandemic related provision for rent abatements and bad debts, lower residential inventory gains due to timing of inventory sales, lower realized gains from the sale of marketable securities, lower fee revenue and higher average debt.

The interest coverage ratio at RioCan's proportionate share for the year remained above its target of 3.0x but declined compared to the prior year, mainly due to lower Adjusted EBITDA, as noted earlier, and higher interest costs from higher average debt. Similarly, debt service coverage at RioCan's proportionate share for the year declined but remained above its target of 2.25x.

The fixed charge coverage ratio at RioCan's proportionate share for the year was lower than the prior year, primarily as a result of lower Adjusted EBITDA, higher interest costs and higher distributions as a result of a private placement of Units in August 2019 and a public Unit offering completed in October 2019. The one-third distribution reduction effective for January 2021 distributions is expected to increase the fixed charge coverage ratio in 2021 relative to 2020.

The Trust has been reducing its floating interest rate debt exposure over the last couple of years. Its floating interest rate debt exposure was exceptionally low as of December 31, 2020 mainly due to the issuance of a $500.0 million unsecured debenture green bond (Series AD debenture) at a fixed rate in December 2020 of which a significant portion of the net proceeds was used to pay down the Trust's floating rate revolving unsecured line of credit. The Trust's main floating interest rate debt level is primarily driven by utilization on its revolving unsecured line of credit, which could vary quarter by quarter depending on the timing of various factors such as debenture or mortgage financing timing, and timing of dispositions and acquisitions.

The following table presents a reconciliation of consolidated net income attributable to Unitholders to Adjusted EBITDA:

| | 12 months ended | | | |
|---|---|---|---|---|
| | IFRS | | RioCan's proportionate share | |
| (thousands of dollars) | **December 31, 2020** | December 31, 2019 | **December 31, 2020** | December 31, 2019 |
| Net income (loss) attributable to Unitholders | **$ (64,780)** | $ 775,834 | **$ (64,780)** | $ 775,834 |
| Add (deduct) the following items: | | | | |
| Income tax expense (recovery): | | | | |
| Current | **(275)** | (699) | **(275)** | (699) |
| Deferred | **10,905** | 2,064 | **10,905** | 2,064 |
| Fair value losses (gains) on investment properties, net | **526,775** | (247,624) | **536,388** | (239,294) |
| Change in unrealized fair value on marketable securities (i) | **10,219** | 15,637 | **10,219** | 15,637 |
| Internal leasing costs | **10,192** | 11,309 | **10,192** | 11,309 |
| Non-cash unit-based compensation expense | **9,120** | 6,478 | **9,120** | 6,478 |
| Interest costs | **180,811** | 182,780 | **185,599** | 187,871 |
| Depreciation and amortization | **4,342** | 4,381 | **4,342** | 4,381 |
| Transaction losses on the sale of investment properties, net (ii) | **503** | 1,066 | **503** | 1,066 |
| Transaction costs on investment properties | **768** | 7,989 | **768** | 7,989 |
| Operational lease revenue and expenses from ROU assets | **2,572** | 1,963 | **2,544** | 1,939 |
| **Adjusted EBITDA** | **$ 691,152** | $ 761,178 | **$ 705,525** | $ 774,575 |
| | | | | |
| Debt, net of cash and cash equivalents is calculated as follows: | | | | |
| Average debt outstanding | **$ 6,667,444** | $ 6,206,562 | **$ 6,793,278** | $ 6,324,391 |
| Less: average cash and cash equivalents | **(111,487)** | (75,705) | **(113,407)** | (78,599) |
| Debt, net of cash and cash equivalents | **$ 6,555,957** | $ 6,130,857 | **$ 6,679,871** | $ 6,245,792 |
| **Debt to Adjusted EBITDA** | **9.49** | 8.05 | **9.47** | 8.06 |

(i) Adjustment is a result of adopting IFRS 9 on January 1, 2018 without prior period restatement. The fair value gains on marketable securities under IFRS 9 include both the change in unrealized fair value and realized gains on the sale of marketable securities. By adding back the change in unrealized fair value on marketable securities, RioCan effectively continues to include realized gains or losses on the sale of marketable securities in Adjusted EBITDA and excludes unrealized fair value gains (losses) on marketable securities in Adjusted EBITDA. Refer to the *Non-GAAP Measures* section of this MD&A for more detailed discussion on Adjusted EBITDA and IFRS 9's impact on Adjusted EBITDA.

(ii) Includes transaction gains and losses realized on the disposition of investment properties.

## Credit Ratings

RioCan intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintaining its investment-grade debt ratings. RioCan is rated by two independent credit rating agencies: Standard and Poor's (S&P) and DBRS Morningstar (DBRS). A credit rating generally provides an indication of the risk that the borrower will not fulfill its obligations in a timely manner. On October 12, 2020 S&P confirmed the rating of BBB with stable outlook and on November 30, 2020 DBRS confirmed the rating of BBB(high) and changed the trends on the ratings to Negative from Stable. A credit rating of BBB- or higher is an investment-grade rating.

The following table summarizes RioCan's credit ratings as at December 31, 2020:

| | **S&P** | | **DBRS** | |
|---|---|---|---|---|
| | **Credit Rating** | **Outlook** | **Credit Rating** | **Trend** |
| Issuer Credit Rating | BBB | Stable | BBB (high) | Negative |
| Senior Unsecured Debentures | BBB | N/A (i) | BBB (high) | Negative |

(i) S&P does not provide an outlook on the Debentures.

## Total Debt Profile

RioCan's debt maturity profile and future repayments are as outlined below:

| (thousands of dollars) | Debentures payable | Weighted average contractual interest rate | Mortgages payable | Weighted average contractual interest rate | Lines of credit and other bank loans | Weighted average contractual interest rate | **Total aggregate debt** | **Weighted average contractual interest rate** |
|---|---|---|---|---|---|---|---|---|
| | Contractual principal maturities and interest rates | | | | | | | |
| Year of debt maturity | | | | | | | | |
| 2021 | $ 550,000 | 2.89% | $ 379,995 | 4.23% | $ 50,125 | 1.68% | **$ 980,120** | **3.34%** |
| 2022 | 550,000 | 3.25% | 199,316 | 3.24% | — | —% | **749,316** | **3.25%** |
| 2023 | 500,000 | 3.42% | 336,358 | 3.33% | 206,094 | 3.24% | **1,042,452** | **3.35%** |
| 2024 | 300,000 | 3.29% | 333,431 | 3.11% | 500,000 | 3.36% | **1,133,431** | **3.27%** |
| 2025 | 500,000 | 2.58% | 522,514 | 3.35% | 36,635 | 2.38% | **1,059,149** | **2.95%** |
| Thereafter | 950,000 | 2.54% | 1,030,234 | 3.18% | — | —% | **1,980,234** | **2.87%** |
| | $ 3,350,000 | 2.91% | $ 2,801,848 | 3.37% | $ 792,854 | 3.18% | **$ 6,944,702** | **3.13%** |
| Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses | — | | 4,719 | | 479 | | **5,198** | |
| Unamortized debt financing costs, net of premiums and discounts | (9,722) | | (9,501) | | (2,794) | | **(22,017)** | |
| **Balance, end of year** | **$ 3,340,278** | | **$ 2,797,066** | | **$ 790,539** | | **$ 6,927,883** | |

The total debt continuity schedule for the year ended December 31, 2020 was as follows:

| *(thousands of dollars)* Year ended December 31, 2020 | Debentures | Mortgages Payable | Lines of Credit and Other Bank Loans | Total |
|---|---|---|---|---|
| Contractual obligations, beginning of year | $ 2,900,000 | $ 2,409,917 | $ 1,090,172 | **$ 6,400,089** |
| Borrowings | 850,000 | 804,515 | 311,720 | **1,966,235** |
| Scheduled amortization | — | (42,786) | — | **(42,786)** |
| Repayments | (400,000) | (373,387) | (609,038) | **(1,382,425)** |
| Disposed on the sale of properties | — | (12,112) | — | **(12,112)** |
| Assumed on the acquisition of properties | — | 15,701 | — | **15,701** |
| **Contractual obligations, end of year** | **$ 3,350,000** | **$ 2,801,848** | **$ 792,854** | **$ 6,944,702** |
| Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses | — | 4,719 | 479 | **5,198** |
| Unamortized debt financing costs, net of premiums and discounts | (9,722) | (9,501) | (2,794) | **(22,017)** |
| **Balance, end of year** | **$ 3,340,278** | **$ 2,797,066** | **$ 790,539** | **$ 6,927,883** |

## Debentures Payable

Issuance

On December 14, 2020, RioCan issued $500.0 million principal amount of Series AD senior unsecured debentures. These debentures were issued at par, carry a coupon rate of 1.974% per annum and mature on June 15, 2026. The Series AD debentures were RioCan's second green bond issuance.

On March 10, 2020, RioCan issued $350.0 million of Series AC senior unsecured debentures. These debentures were issued at par, carry a coupon rate of 2.361% per annum and will mature on March 10, 2027. The Series AC debentures were RioCan's inaugural green bond issuance and the first green bond issued by a REIT in Canada.

Redemption

On August 26, 2020, RioCan redeemed, in full, its $250.0 million 2.185% Series X unsecured debentures in accordance with their terms. On June 1, 2020, RioCan redeemed, in full, its $150.0 million 3.62% Series U unsecured debentures in accordance with their terms.

On January 15, 2021, RioCan redeemed, in full, its $250.0 million, 3.716% Series R unsecured debentures due December 13, 2021, in accordance with its terms, at a total redemption price of $256.8 million, plus accrued and unpaid interest of $0.8 million, up to but excluding, the redemption date. The Trust recorded an early extinguishment charge of $6.7 million, which includes a write-off of the related unamortized deferred financing costs.

RioCan’s debentures maturity profile and future repayments are as outlined below:

*(thousands of dollars)*
As at

| Series | Maturity date | Coupon rate | Interest payment frequency | **December 31, 2020** | December 31, 2019 |
|---|---|---|---|---|---|
| U | June 1, 2020 | 3.62% | Semi-annual | **—** | 150,000 |
| X | August 26, 2020 | 2.19% | Semi-annual | **—** | 250,000 |
| Z | April 9, 2021 | 2.19% | Semi-annual | **300,000** | 300,000 |
| R | December 13, 2021 | 3.72% | Semi-annual | **250,000** | 250,000 |
| V | May 30, 2022 | 3.75% | Semi-annual | **250,000** | 250,000 |
| Y | October 3, 2022 | 2.83% | Semi-annual | **300,000** | 300,000 |
| T | April 18, 2023 | 3.73% | Semi-annual | **200,000** | 200,000 |
| AA | September 29, 2023 | 3.21% | Semi-annual | **300,000** | 300,000 |
| W | February 12, 2024 | 3.29% | Semi-annual | **300,000** | 300,000 |
| AB | February 12, 2025 | 2.58% | Semi-annual | **500,000** | 500,000 |
| I | February 6, 2026 | 5.95% | Semi-annual | **100,000** | 100,000 |
| AD | June 15, 2026 | 1.97% | Semi-annual | **500,000** | — |
| AC | March 10, 2027 | 2.36% | Semi-annual | **350,000** | — |
| Contractual obligations | | | | **$ 3,350,000** | $ 2,900,000 |
| Unamortized debt financing costs | | | | **(9,722)** | (8,352) |
| Balance, end of year | | | | **$ 3,340,278** | $ 2,891,648 |

The unsecured debentures have covenants similar to the Trust's 60% debt to aggregate assets limit as set out in RioCan’s Declaration of Trust, the maintenance of at least $1.0 billion in Adjusted Unitholders' Equity (as defined in the indenture) and maintenance of an interest coverage ratio of 1.65 times or better. There are no requirements under the unsecured debenture covenants that require RioCan to maintain unencumbered assets. The Series I debentures, which are due in 2026 and are $100 million in aggregate, have an additional provision that provides RioCan with the right, at any time, to convert these debentures to mortgage debt, subject to the acceptability of the security given to the debenture holders. In such an event, the covenants relating to the 60% leverage limit, minimum Adjusted Unitholders' Equity and interest coverage ratio would be eliminated for this series of debentures.

## Mortgages Payable

Mortgages payable consist of the following:

*(thousands of dollars)*

| As at | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Fixed rate mortgages (i) (ii) | **$ 2,797,066** | $ 2,412,451 |

(i) Includes hedged floating rate mortgages.

(ii) Amount outstanding deducts a total of $4.8 million in unamortized debt modification losses (net of unamortized financing costs), net of unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses.

At the outset of 2020, RioCan had $503.9 million of mortgage principal maturing in 2020 at a weighted average contractual interest rate of 3.64%. For the year ended December 31, 2020, RioCan completed new term mortgage borrowings of $804.5 million and renewed maturity balances of $109.5 million at a weighted average interest rate of 2.82% and a weighted average term of six years, repaid $416.2 million of mortgage balances and scheduled amortization, disposed $12.1 million mortgages on the sale of investment properties, and assumed $15.7 million of mortgage financing upon acquisitions at a weighted average interest rate of 3.30%.

Included in the activity above are CMHC insured mortgages for Frontier and eCentral and the retail component ePlace in the aggregate amount of $195.2 million (at RioCan's interest), at a weighted average interest rate of 2.33% and a weighted average term of 10 years. Maximizing CMHC insured mortgages is a key component of the Trust’s debt strategy as it provides access to a new source of financing and lowers its overall cost of debt.

The majority of our mortgage debt provides recourse to the assets of the Trust, as opposed to only having recourse to the specific property charged. We follow this policy as it generally results in lower interest rates for the Trust.

## Lines of Credit and Other Bank Loans

Lines of credit and other bank loans consist of the following:

| *(thousands of dollars)*<br>As at | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Revolving unsecured operating line of credit (i) (ii) | **$ (1,648)** | $ 339,446 |
| Non-revolving unsecured credit facilities (i) | **699,333** | 699,101 |
| Construction lines and other bank loans | **92,854** | 48,172 |
| | **$ 790,539** | $ 1,086,719 |

(i) Amount outstanding deducts a total of $2.3 million in unamortized financing costs, net of unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses.

(ii) There are no drawn amounts at December 31, 2020. The negative balance shown for the 2020 year end represents unamortized financing costs.

### *Revolving Unsecured Operating Line of Credit*

As at December 31, 2020, RioCan had $1.0 billion of undrawn credit availability on its revolving unsecured operating line of credit, compared to $658.0 million as at December 31, 2019. The weighted average contractual interest rate on amounts drawn under this facility was nil as of December 31, 2020 (December 31, 2019 - 3.19%).

### *Non-revolving Unsecured Credit Facilities*

The Trust has a $200 million non-revolving unsecured credit facility with two financial institutions (consisting of a Schedule I and a Schedule III bank), with a maturity date of January 31, 2023 and a weighted average annual all-in fixed interest rate of 3.28% through interest rate swaps.

In addition, the Trust has a $150.0 million non-revolving unsecured credit facility with two financial institutions (consisting of a Schedule I and a Schedule III bank), with a maturity date of June 27, 2024 and fixed annual all-in interest rate of 3.43% through an interest rate swap.

The Trust also has a $350.0 million five-year non-revolving unsecured credit facility with three financial institutions (consisting of two Schedule I banks and one Schedule III bank). This credit facility matures on February 7, 2024 and, through an interest rate swap, bears an annual all-in fixed interest rate of 3.34%.

As of December 31, 2020, all of the Trust's non-revolving unsecured credit facilities are fully drawn.

### *Construction Lines of Credit and Other Bank Loans*

In addition to the revolving unsecured operating line of credit and non-revolving unsecured credit facilities, the Trust has secured credit facilities and other bank loans, which include variable rate non-revolving secured construction facilities for the funding of certain development properties. At December 31, 2020, these secured facilities and other bank loans have an aggregate maximum borrowing capacity of $384.2 million (December 31, 2019 - $106.5 million) and mature between 2021 and 2025, of which the Trust had drawn $92.9 million (December 31, 2019 - $48.2 million). The weighted average contractual interest rate on the aggregate amounts outstanding is 1.97% (December 31, 2019 - 2.93%).

The year-over-year increase in these secured facilities and other bank loans was primarily due to the addition of secured construction facilities for the Trust's 11 YV condominium project and two other projects during the year.

### *Letter of Credit Facilities and Surety Bonds*

The Trust has aggregate letter of credit facilities with certain Schedule I banks totalling $93.6 million (December 31, 2019 - $76.4 million). As at December 31, 2020, the Trust's outstanding letters of credit under these facilities was $66.8 million (December 31, 2019 - $54.8 million).

The Trust is contingently liable for surety bonds that have been provided to support condominium developments and warranties in the amount of $68.8 million.

## Liquidity

Liquidity refers to the Trust having credit availability under committed credit facilities and/or generating sufficient amounts of cash and cash equivalents to fund the ongoing operational commitments including maintenance capital and development capital expenditures, distributions to Unitholders and planned growth in the business.

RioCan maintains a committed revolving unsecured operating credit facility to provide financial liquidity which can be drawn or repaid on short notice, reducing the need to hold liquid resources in cash and deposits. This minimizes costs arising from the difference between borrowing and deposit rates, while reducing credit exposure.

As at December 31, 2020, RioCan had approximately $1.6 billion of liquidity as summarized in the following table:

| *(thousands of dollars, except where otherwise noted)* | IFRS | | RioCan's proportionate share | |
|---|---|---|---|---|
| As at | **December 31, 2020** | December 31, 2019 | **December 31, 2020** | December 31, 2019 |
| Cash and cash equivalents | **$ 238,456** | $ 93,516 | **$ 240,659** | $ 96,564 |
| Undrawn revolving unsecured operating line of credit | **1,000,000** | 658,000 | **1,000,000** | 658,000 |
| Undrawn construction lines of credit and other bank loans | **291,332** | 58,327 | **336,030** | 110,339 |
| **Liquidity** | **$ 1,529,788** | $ 809,843 | **$ 1,576,689** | $ 864,903 |
| Contractual debt: | | | | |
| Debentures payable | **$ 3,350,000** | $ 2,900,000 | **$ 3,350,000** | $ 2,900,000 |
| Mortgages payable | **2,801,848** | 2,409,917 | **2,910,452** | 2,511,930 |
| Lines of credit and other bank loans | **792,854** | 1,090,172 | **821,597** | 1,109,600 |
| **Total contractual debt** | **$ 6,944,702** | $ 6,400,089 | **$ 7,082,049** | $ 6,521,530 |
| Percentage of total contractual debt: | | | | |
| Liquidity | **22.0%** | 12.7% | **22.3%** | 13.3% |
| Unsecured debt | **58.3%** | 61.6% | **57.2%** | 60.4% |
| Secured debt | **41.7%** | 38.4% | **42.8%** | 39.6% |

The $711.8 million increase in liquidity on a proportionate share basis over the prior year was in part due to the $500 million green bond senior unsecured debentures issued in December 2020 and resulting higher cash and cash equivalents on hand as of the year end, as well as an increase in undrawn construction lines of credit due to the addition of major construction lines of credit during the year.

RioCan has unencumbered investment properties with a fair value of $8.7 billion on a proportionate share basis as of the year end, which give RioCan the potential to obtain additional mortgages to bolster liquidity, if needed, and preserve credit availability under its revolving unsecured line of credit, while maintaining compliance with debt covenants under various credit facilities.

The Trust's liquidity is impacted by contractual debt commitments and committed expenditures on active development projects. Its contractual debt commitments and committed development expenditures for the next five years are as follows:

| *(thousands of dollars)* | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Contractual obligations: | | | | | | | |
| Lines of credit and other bank loans | $ 50,125 | $ — | $ 206,094 | $ 500,000 | $ 36,635 | $ — | $ 792,854 |
| Mortgages payable | 379,995 | 199,316 | 336,358 | 333,431 | 522,514 | 1,030,234 | 2,801,848 |
| Unsecured debentures | 550,000 | 550,000 | 500,000 | 300,000 | 500,000 | 950,000 | 3,350,000 |
| Lease liabilities (i) | 7,856 | 1,621 | 1,668 | 1,669 | 1,655 | 26,256 | 40,725 |
| Other lease obligations | 481 | 206 | 79 | 24 | 4 | — | 794 |
| | $ 988,457 | $ 751,143 | $ 1,044,199 | $ 1,135,124 | $ 1,060,808 | $ 2,006,490 | $ 6,986,221 |
| Committed developments: | | | | | | | |
| Active committed PUD (ii) | 318,615 | 219,638 | 45,769 | 13,403 | — | — | 597,425 |
| Active committed residential inventory (ii) | 73,166 | 50,078 | 46,552 | 77,544 | — | — | 247,340 |
| | $ 391,781 | $ 269,716 | $ 92,321 | $ 90,947 | $ — | $ — | $ 844,765 |
| **Total** | $ 1,380,238 | $ 1,020,859 | $ 1,136,520 | $ 1,226,071 | $ 1,060,808 | $ 2,006,490 | $ 7,830,986 |

(i) Represents the discounted minimum lease payments of lease liabilities under IFRS 16.

(ii) Represents estimated development costs to complete committed properties under active development and active residential inventory projects. A project is committed only when all major planning issues have been resolved, anchor tenant(s) for the commercial components has/have been secured, and/or construction is about to commence or has commenced. The costs of additional projects will be added to this schedule once a project becomes committed. The amounts are presented net of projected proceeds from dispositions including air rights sale proceeds related to a portion of The Well in Toronto, Ontario, which sales currently remain on plan to close in 2021.

The Trust's contractual debt obligations and projected development expenditures can be funded by proceeds from mortgage refinancing, net proceeds from the sale of assets (including, but not limited to, sale of excess land and development density), existing cash on hand, revolving unsecured operating line of credit, proceeds from the issuance of unsecured debentures or issuance of equity Units. Debenture maturities in 2021 of $550.0 million have been effectively refinanced through the issuance of the aforementioned green bond issue in December 2020. As of February 10, 2021, $229.1 million of the $380.0 million of mortgages due in 2021 have already been repaid, refinanced or have refinancing commitments in place.

RioCan has also entered into purchase obligations to acquire certain interests from its partners as further described in Note 3 in the 2020 Annual Consolidated Financial Statements.

RioCan, as a mutual fund trust, expects to make monthly distributions to Unitholders with the cash generated from ongoing operating activities. Its Unitholder dividend reinvestment plan (DRIP) allows it to conserve liquidity by issuing additional Units, as opposed to paying cash distributions. Although RioCan suspended its DRIP effective November 1, 2017, RioCan can elect to reinstate the DRIP in the future, should we decide that it is beneficial to do so.

## Unencumbered Assets

At RioCan's proportionate share, unencumbered investment property assets as at December 31, 2020 have an estimated fair value of $8.7 billion, which represents 60.3% of the total fair value of investment properties and generates 58.9% of annualized NOI at RioCan's proportionate share. The decrease in the unencumbered assets from December 31, 2019 was due to mortgage financing obtained on certain formerly unencumbered assets, as well as fair value write-downs during the year as a result of the pandemic. The table below summarizes RioCan's unencumbered assets and unsecured debt:

| | | IFRS | | RioCan's proportionate share | |
|---|---|---|---|---|---|
| *(thousands of dollars, except where otherwise noted)*<br>As at | Targeted Ratios | **December 31, 2020** | December 31, 2019 | **December 31, 2020** | December 31, 2019 |
| Unencumbered assets (i) (ii) | | **$ 8,685,469** | $ 8,895,777 | **$ 8,727,354** | $ 8,936,721 |
| Unsecured debt: | | | | | |
| Debentures | | **$ 3,350,000** | $ 2,900,000 | **$ 3,350,000** | $ 2,900,000 |
| Amounts drawn on revolving unsecured operating line of credit | | **—** | 342,000 | **—** | 342,000 |
| Amounts drawn on non-revolving unsecured credit facilities | | **700,000** | 700,000 | **700,000** | 700,000 |
| Total unsecured debt outstanding | | **$ 4,050,000** | $ 3,942,000 | **$ 4,050,000** | $ 3,942,000 |
| Unsecured debt to total debt | 60.0% | **58.3%** | 61.6% | **57.2%** | 60.4% |
| Unencumbered assets to unsecured debt (i) | > 200% | **214%** | 226% | **215%** | 227% |
| NOI generated from unencumbered assets (i) | > 50.0% | **58.6%** | 58.2% | **58.9%** | 58.5% |

(i) Refer to the *Non-GAAP Measures* section of this MD&A for further details.

(ii) As at December 31, 2020, included in total investment properties and properties held for sale of $14.3 billion on an IFRS basis are $8.7 billion unencumbered assets and $5.6 billion encumbered assets. On a proportionate share basis, included in total investment properties and properties held for sale of $14.5 billion are $8.7 billion of unencumbered assets and $5.7 billion encumbered assets.

## Guarantees

As at December 31, 2020, the Trust is contingently liable for debt guarantees, provided on behalf of certain of our co-owners' interests and mortgages assumed by purchasers on property dispositions, of $195.1 million (December 31, 2019 - $163.2 million), with expiries between 2021 and 2025.

As at and for the year ended December 31, 2020, there have been no defaults by the primary obligors for debts on which we have provided guarantees and no provision for expected losses on these guarantees has been recognized in our 2020 Annual Consolidated Financial Statements.

The parties on behalf of which RioCan has outstanding guarantees are as follows:

| *(thousands of dollars)*<br>As at | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| Partners and co-owners | | |
| HBC (RioCan-HBC JV) | **$ 41,187** | $ 42,349 |
| Bayfield | **23,100** | 26,709 |
| Metropia and Capital Developments | **36,635** | — |
| Other | **38,987** | 37,497 |
| | **$ 139,909** | $ 106,555 |
| Assumption of mortgages by purchasers on property dispositions | **55,207** | 56,644 |
| | **$ 195,116** | $ 163,199 |

## Hedging Activities

***Interest Rate Risk***

As at December 31, 2020, the outstanding notional amount of floating-to-fixed interest rate swaps was $1.3 billion (December 31, 2019 – $1.3 billion) and the term to maturity of these agreements ranges from April 2021 to November 2028. We assess the effectiveness of the hedging relationship on a quarterly basis and have determined there is no ineffectiveness in the hedging of interest rate exposures as at December 31, 2020. Refer to Note 25 of the 2020 Annual Consolidated Financial Statements for further details.

# EQUITY

## Trust Units

As at December 31, 2020, there are 317.7 million Units outstanding, including exchangeable limited partnership units. All Units outstanding have equal rights and privileges and entitle the holder to one vote for each Unit at all meetings of Unitholders. During the years ended December 31, 2020 and 2019, we issued Units as follows:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(in thousands)* | **2020** | 2019 | **2020** | 2019 |
| Units outstanding, beginning of year (i) | **317,723** | 308,723 | **317,710** | 305,097 |
| Units issued: | | | | |
| Private placement issued pursuant to an investment property acquisition | **—** | — | **—** | 3,810 |
| Public offering, net of issuance costs | **—** | 8,935 | **—** | 8,935 |
| Unit-based compensation exercises, net of Units repurchased for settlement of Unit exercises | **—** | 49 | **—** | 833 |
| Direct purchase plan | **13** | 3 | **26** | 15 |
| Exchangeable limited partnership units | **12** | — | **12** | — |
| Units repurchased and cancelled | **—** | — | **—** | (980) |
| **Units outstanding, end of year (i)** | **317,748** | 317,710 | **317,748** | 317,710 |

(i) Included in Units outstanding are exchangeable limited partnership units of three limited partnerships that are subsidiaries of the Trust (the LP units) which were issued to vendors, as partial consideration for income properties acquired by RioCan (December 31, 2020 – 493,476 LP units, December 31, 2019 – 481,769 LP units).

As of February 10, 2021, there are 317.8 million Units issued and 6.4 million Unit options issued and outstanding under the Trust's incentive Unit option plan.

***Senior Executive Restricted Equity Plan (Senior Executive REU Plan)***

As at December 31, 2020, 251,899 Senior Executive REUs are outstanding (December 31, 2019 - 178,800), of which 55,720 are vested (December 31, 2019 - 56,833).

On March 2, 2020, the Trust granted 119,621 REUs under its Senior Executive REU Plan. The grant date price was $26.19 per unit-based on the five-day volume weighted average market price of RioCan's Units traded on the TSX prior to the grant date, resulting in an aggregate fair value of $3.1 million.

The number of REUs granted shall vest one-third on each of the first, second and third anniversary of the grant date, provided however that all vested REUs are only eligible for settlement upon the third anniversary of the grant date (Settlement Date). Settlement of vested REUs is generally made within 30 days after the Settlement Date by the delivery of an equivalent number of Units purchased on the secondary market, net of applicable withholding taxes.

***Employee Restricted Equity Plan (Employee REU Plan)***

As at December 31, 2020, 279,342 Employee REUs are unvested and outstanding (December 31, 2019 - 232,926).

On March 2, 2020, the Trust granted 101,979 REUs under its Employee REU Plan. The grant date price was $26.19 per unit-based on the five-day volume weighted average market price of RioCan's Units traded on the TSX prior to the grant date, resulting in an aggregate fair value of $2.7 million.

The number of REUs granted shall vest fully on the Settlement Date, including distribution equivalents that have accumulated during the vesting period. Settlement of vested REUs is generally made within 30 days after the Settlement Date by way of the delivery of an equivalent number of Units purchased on the secondary market, net of applicable withholding taxes.