MCAN Mortgage Corporation

ANNUAL INFORMATION FORM

For the year ended December 31, 2019

February 26, 2020

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ABOUT THIS ANNUAL INFORMATION FORM

The information in this Annual Information Form ("AIF") is presented as at December 31, 2019, unless otherwise indicated, and except for information in documents incorporated by reference that have a different date. All references to dollar amounts and to "$" or "dollar" in this document are to Canadian dollars, unless indicated otherwise.

CORPORATE STRUCTURE

Name, Address and Incorporation

MCAN Mortgage Corporation (the "Company," "MCAN", "our", "us" or "we") was incorporated under the *Trust and Loan Companies Act* (Canada) (the "Trust Act"), by Letters Patent dated January 11, 1991. We received our certificate to commence business from the Office of the Superintendent of Financial Institutions ("OSFI") on November 7, 1991.

As a Loan Company under the Trust Act, the Company is subject to the guidelines and regulations set by OSFI.

MCAN's wholly-owned subsidiary, XMC Mortgage Corporation ("XMC"), is an originator of single family residential mortgage products across Canada. XMC was incorporated in the Province of Ontario.

MCAN is also a Canada Mortgage and Housing Corporation ("CMHC") approved National Housing Act ("NHA") mortgage-backed securities ("MBS") issuer.

The head and registered office of the Company is located at 200 King Street West, Suite 600, Toronto, Ontario, M5H 3T4.

We conduct our operations so as to continuously qualify as a mortgage investment corporation ("MIC") for purposes of the *Income Tax Act* (Canada) (the "Tax Act").

We maintain registrations to accept term deposits from residents of all the Provinces of Canada that qualify for Canada Deposit Insurance Corporation ("CDIC") deposit insurance.

A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

This AIF contains forward-looking information within the meaning of applicable Canadian securities laws. All information contained in this AIF, other than statements of current and historical fact, is forward-looking information. All of the forward-looking information in this AIF is qualified by this cautionary note. Often, but not always, forward-looking information can be identified by the use of words such as “may,” “believe,” “will,” “anticipate,” “expect,” “planned,” “estimate,” “project,” “future,” and variations of these or similar words or other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters. Forward-looking information in this AIF includes, among others, statements and assumptions with respect to:

- the current business environment and outlook;
- possible or assumed future results;
- our ability to create shareholder value;
- our business goals and strategy;
- the potential impact of new regulations and changes to existing regulations;
- the stability of home prices;
- the effect of challenging conditions on us;
- factors affecting our competitive position within the housing markets;
- international trade and geopolitical uncertainties and their impact on the Canadian economy;
- the price of oil and its impact on housing markets in Western Canada;
- sufficiency of our access to capital resources;
- the timing of the effect of interest rate changes on our cash flows; and
- the declaration and payment of dividends.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information reflects management’s current beliefs and is based on information currently available to management. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information.

The material factors or assumptions that we identified and were applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to:

- our ability to successfully implement and realize on our business goals and strategy;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- government regulation of our business and the cost to us of such regulation;
- systems failure or cyber and security breaches;
- the availability of funding and capital to meet our requirements;
- the value of mortgage originations;
- the expected spread between interest earned on mortgage portfolios and interest paid on deposits;
- the relative uncertainty and volatility of real estate markets;
- acceptance of our products in the marketplace;

- the stage of the real estate cycle and the maturity phase of the mortgage market;
- impact on housing demand from changing population demographics and immigration patterns;
- our ability to forecast future changes to borrower credit and credit scores, loan to value ratios and other forward-looking factors used in assessing expected credit losses and rates of default;
- availability of key personnel;
- our operating cost structure;
- the current tax regime; and
- operations within our equity investments.

Reliance should not be placed on forward-looking information because it involves known and unknown risks, uncertainties and other factors, which may cause actual results to differ materially from anticipated future results expressed or implied by such forward-looking information. Factors that could cause actual results to differ materially from those set forth in the forward-looking information include, but are not limited to:

- global market activity and trade policies;
- levels of foreign investment in Canada and its real estate market;
- worldwide demand for and related impact on oil and other commodity prices;
- changes in climate and environmental policies;
- changes in government and economic policy;
- changes in general economic, real estate and other conditions;
- changes in interest rates;
- changes in Canada Mortgage Bonds ("CMB") and MBS spreads and swap rates;
- MBS and mortgage prepayment rates;
- mortgage rate and availability changes;
- adverse legislation or regulation, including recent changes implemented by OSFI, and the potential for higher capital and liquidity requirements for real estate lending;
- availability of CMB and MBS issuer allocation;
- digital and technology evolution and disruptions;
- confidence levels of consumers;
- our ability to raise capital and term deposits on favourable terms;
- our debt and leverage;
- competitive conditions in the homebuilding industry, including product and pricing pressures;
- our ability to retain our executive officers and other employees;
- the success of the business underlying our investments in MCAP, marketable securities and non-marketable securities;
- our exposure to litigation;
- our ability to respond to and reposition ourselves within a changing market;
- our relationships with third-party mortgage originators and servicers;
- changes in operations within our equity investments; and
- additional risks and uncertainties, many of which are beyond our control, referred to in this AIF and our other public filings with the applicable Canadian regulatory authorities.

Subject to applicable securities law requirements, we undertake no obligation to publicly update or revise any forward-looking information after the date of this AIF whether as a result of new information, future events or otherwise or to explain any material difference between subsequent actual events and any forward-looking information. However, any further disclosures made on related subjects in subsequent reports should be consulted.

INTERCORPORATE RELATIONSHIPS

The Company consolidates the accounts of its wholly owned subsidiaries and accounts for its investment in MCAP Commercial LP (an associate) and its wholly owned subsidiaries (collectively “MCAP”) using the equity method. An associate is an entity in which the Company has significant influence as defined by International Accounting Standard (“IAS”) 28, *Investments in Associates and Joint Ventures*.

XMC Mortgage Corporation

XMC provides MCAN with an in-house single family mortgage origination source, underwriting capability, opportunities for future earnings due to mortgage renewal rights and CMHC-approved lender status.

Equity Investment in MCAP Commercial LP

MCAP, an originator and servicer of mortgages for third party investors in Canada, is a strategic investment for MCAN providing access and scale to origination and servicing.

As at December 31, 2019, the Company held a 14.02% equity interest in MCAP (December 31, 2018 - 14.08%), representing 4.0 million units held by MCAN (December 31, 2018 - 4.0 million units) of the total of 28.5 million outstanding MCAP partnership units (December 31, 2018 - 28.4 million units).

MCAP is provincially registered under the Limited Partnerships Act (Ontario). Our investment in MCAP had a net book value of $69.8 million as at December 31, 2019 (December 31, 2018 - $61.6 million).

We use the equity method of accounting for our investment in MCAP as we have significant influence over MCAP per IAS 28, as a result of our entitlement to a position on MCAP’s Board of Directors. If we no longer hold a position on MCAP's Board of Directors, our significant influence may be diminished, and we may no longer qualify for the equity basis of accounting.

Amongst the interparty rights in the MCAP partnership agreement, the majority partner in MCAP has the right to acquire MCAN’s entire partnership interest in MCAP at “fair market value”, which would be determined by an independent valuator agreed upon by both parties.

THREE YEAR HISTORY

Financial Performance

In 2017, we recorded net income of $39.9 million. Although our total assets and corporate mortgage interest income decreased by 3% and 6% respectively from 2016, our spread of corporate mortgages over term deposits increased 0.15%. The performance from our equity investment in MCAP and non-marketable securities was strong with $14.4 million and $8.9 million of income respectively. We also earned $0.8 million from the sale of a portion of our investment in MCAP. In 2017, we recorded $1.72 earnings per share and return on average shareholders' equity of 13.75%.

In 2018, we recorded net income of $36.3 million, a decrease of 9% from 2017. Notably, net corporate mortgage spread income increased 3% from 2017. Equity income from MCAP was $13.2 million while non-marketable securities contributed $5.4 million, a decrease of approximately 39% from 2017. We also earned $1.7 million from the sale of a portion of our investment in MCAP. In 2018, we recorded $1.54 earnings per share and return on average shareholders' equity of 11.90%.

In 2019, we recorded net income of $48.3 million, an increase of 33% from 2018. We exceeded our long-term annual growth target for corporate assets of 10%, with growth of 11% although net corporate mortgage spread income decreased by 3% from 2018. Equity income from MCAP totalled $15.8 million in 2019, while non-marketable securities contributed $6.4 million, an increase of approximately 20% from 2018. Net gain on securities contributed $14.0 million to net income, as compared to a net loss on securities of $0.5 million in 2018. In 2019, we recorded earnings per share of $2.01 and return on average shareholders' equity of 15.11%.

Business Activity

Assets totalled $2.22 billion as at December 31, 2017, a decrease of 3% from December 31, 2016. Corporate mortgages decreased by $41 million (5%) due to lower origination volumes in single family, partially offset by higher originations in residential construction.

Assets totalled $2.14 billion as at December 31, 2018, a decrease of 3% from December 31, 2017. During the year, we shifted our corporate mortgage portfolio strategy to focus more on single family mortgages. Given the phase of the real estate cycle, it was prudent to focus more on single family lending while being more selective in reviewing opportunities for our construction lending portfolio. The average balance of our commercial loan portfolio remained consistent during 2018 and provided an appropriate risk-adjusted return. Our securitized mortgage portfolio decreased 13% from 2017, due to lower insured originations in 2017 and natural run off of the portfolio.

Assets totalled $2.18 billion as at December 31, 2019, an increase of 2% from December 31, 2018. As noted above, we experienced strong growth in our corporate assets during 2019, with corporate assets totalling $1.36 billion. Our corporate mortgage portfolio totalled $1.09 billion, an increase of 18% from December 31, 2018. Securitization volumes totalled $322 million in 2019, an increase of $153 million (90%) from $169 million in 2018. Securitization volumes in 2019 consisted of $308 million of insured single family mortgages (2018 - $169 million) and $14 million of insured multi family mortgages (2018 - $nil). This increase in securitization volumes was offset by mortgage maturities and resulted in a decrease in our securitized portfolio of 11% from 2018.

DESCRIPTION OF THE BUSINESS

MCAN is a public company listed on the Toronto Stock Exchange under the symbol MKP. MCAN is a Loan Company under the Trust Act and also qualifies as a MIC under the Tax Act.

Our objective is to generate a reliable stream of income by investing in a diversified portfolio of Canadian mortgages, including single family residential, residential construction, non-residential construction and commercial loans, as well as other types of securities, loans and real estate investments. We employ leverage by issuing term deposits that are eligible for Canada Deposit Insurance Corporation deposit insurance and are sourced through a network of independent financial agents. We manage our capital and asset balances based on the regulations and limits of the Trust Act, the Tax Act and OSFI.

As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income. Regular dividends are treated as interest income to shareholders for income tax purposes. We are also able to pay capital gains dividends, which would be treated as capital gains to shareholders for income tax purposes. Dividends paid to foreign investors may be subject to withholding taxes. To meet the MIC criteria, 67% of our non-consolidated assets measured on a tax basis are required to be held in cash or cash equivalents and residential mortgages.

MCAN's wholly-owned subsidiary, XMC, is an originator of single family residential mortgage products across Canada.

MCAN's primary sources of income are as follows:

For the years ended	December 31, 2019		December 31, 2018	
(amounts in thousands, except %)	Amount	% of total	Amount	% of total
Corporate assets:				
Mortgage interest	$ 56,379	47%	$ 51,610	50%
Equity income from MCAP Commercial LP	15,759	13%	13,188	13%
Non-marketable securities	6,416	5%	5,357	5%
Marketable securities	3,027	3%	3,464	3%
Fee and other income	17,298	14%	4,696	5%
	98,879	82%	78,315	76%
Securitization assets:				
Mortgage interest	20,491	17%	24,540	24%
Other securitization income	792	1%	360	—%
	21,283	18%	24,900	24%
Total revenue	**$ 120,162**	**100%**	**$ 103,215**	**100%**

We separate our assets into corporate and securitization portfolios for reporting purposes. Corporate assets represent our core strategic investments. Securitization assets consist of mortgages securitized through the market MBS and CMB programs.

Term Deposits

MCAN is a federally regulated deposit taking institution. We issue term deposits that are eligible for CDIC deposit insurance. We source term deposits through a broker distribution network across Canada consisting of third party deposit agents and financial advisors. We believe that our term deposits provide a reliable low-cost funding source that can be strategically matched against the corporate mortgage portfolio.

Competitive Conditions

MCAN's products compete with products offered by chartered banks, loan companies, trust companies, credit unions and other financial institutions and intermediaries in Canada.

Seasonality

Mortgage origination levels in single family, construction and commercial are correlated with patterns in the Canadian real estate markets.

Supervision and Regulation

The activities of the Company are governed by the Trust Act and are supervised by OSFI. OSFI examines the affairs and business of each federally regulated financial institution to ensure compliance with regulations and to ensure each deposit taking institution is in sound financial condition. OSFI is responsible to the Minister of Finance for the administration of the Trust Act. OSFI's report of the examination of each federally regulated financial institution is submitted to the Minister of Finance.

The Company is also subject to regulation by CDIC, which insures certain deposits held at member institutions, and by the Financial Consumer Agency of Canada ("FCAC"). The FCAC is responsible for enforcing consumer related provisions of the federal statutes that govern financial institutions, including the Trust Act and its regulations. The Company is also subject to oversight by the Financial Transaction and Reports Analysis Centre of Canada, who, as Canada's financial intelligence unit, administers the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its regulations. These regulations apply to all federally regulated financial institutions in Canada and set out the expectations and obligations related to detecting and deterring money laundering and the financing of terrorist activities.

Additionally, the activities of the Company are regulated under provincial laws in those provinces where it and its subsidiaries operate.

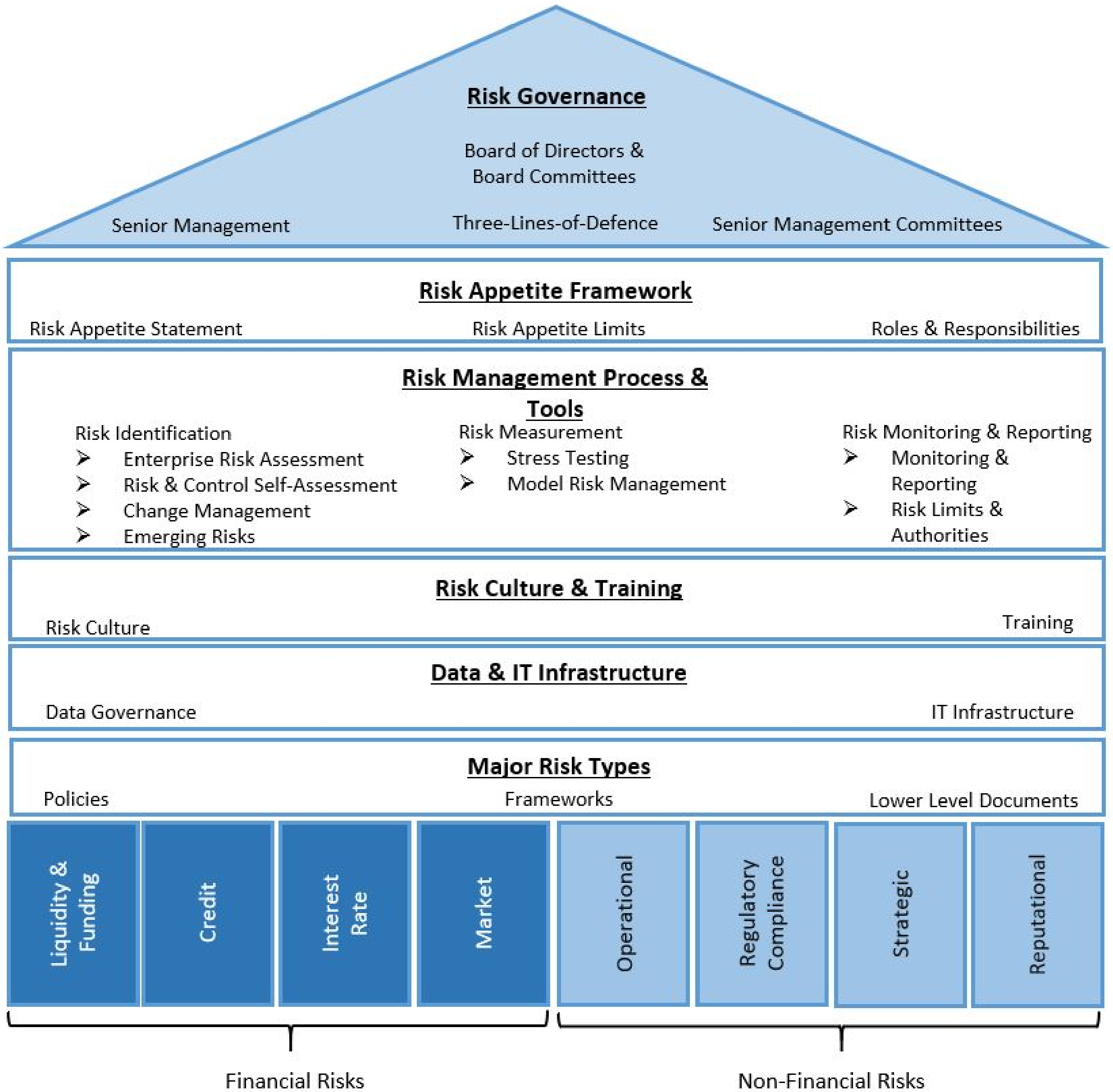
People and Facilities

As at December 31, 2019, MCAN had 98 active full-time employees operating out of our corporate headquarters located in Toronto, Ontario.

RISK MANAGEMENT

Effective risk management and an established risk management framework support a strong risk culture and help the Company provide sustainable growth and returns for our shareholders while maintaining an appropriate balance between risk and return. The Enterprise Risk Management Framework (“ERMF”) outlines the Company’s risk management structure, including the Three-Lines-of-Defence model, emphasizes accountabilities, and supports a common understanding among all key stakeholders of how the Company manages its risks.

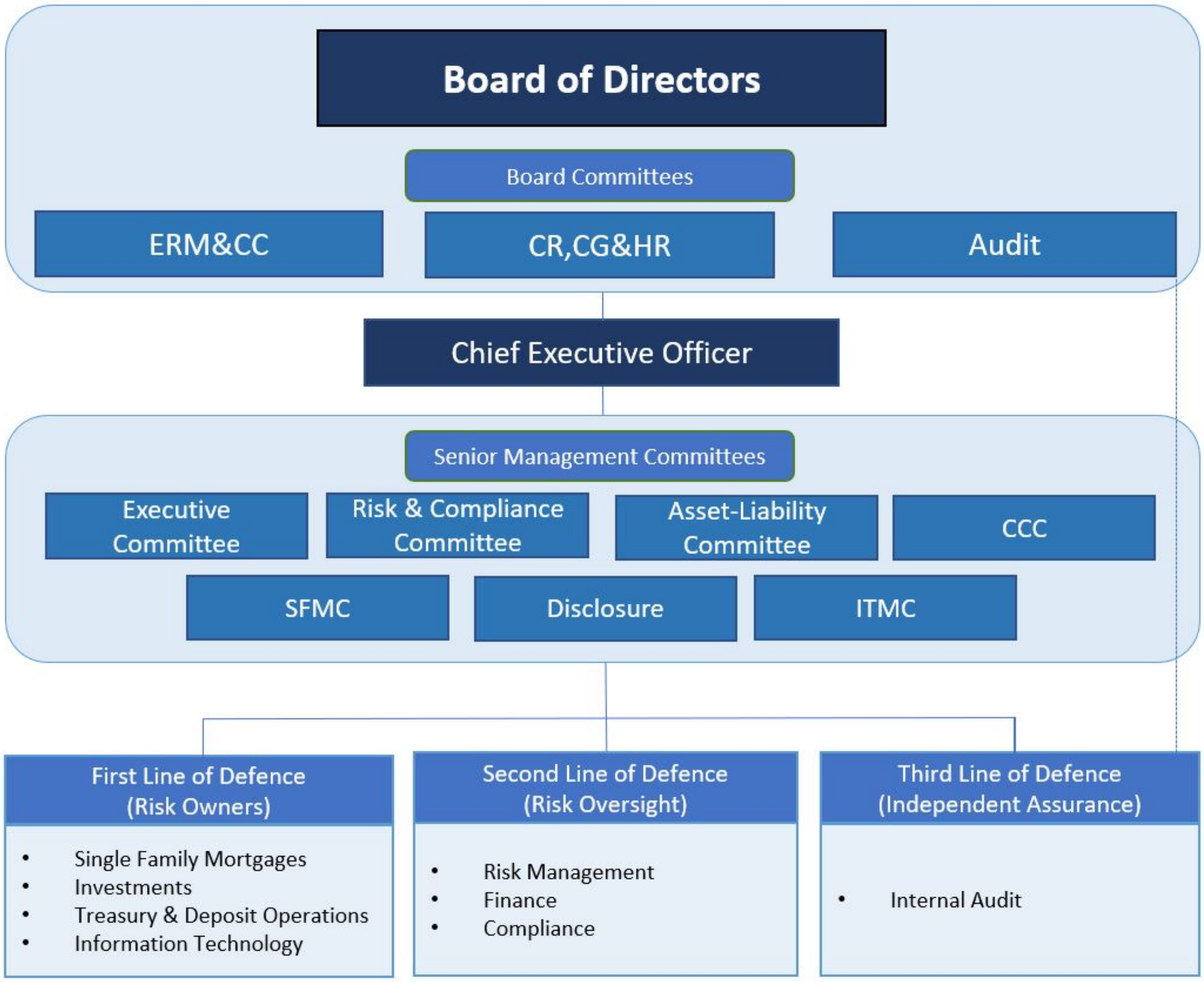
Roles and Accountabilities



Risk Governance

The Board of Directors oversees the design and implementation of our ERMF, while employees at all levels of the organization are accountable for managing day-to-day risks. The Company's Board is supported by Board Committees, senior management committees and an experienced senior management team.

MCAN's Risk Governance structure is illustrated in the following diagram:



SFMC: Single-Family Management Committee; CCC: Capital Commitments Committee; ITMC: IT Management Committee

The Board oversees the Company's strategic direction, the implementation of an effective risk management culture and the internal control framework across the Company, both directly and indirectly, through its committees within a written mandate. The Board is responsible for overseeing the identification, measurement, monitoring and reporting of the major risks types affecting the business, and satisfying itself that management has implemented appropriate policies, procedures and practices to manage risks adequately and effectively.

The Enterprise Risk Management and Compliance Committee ("ERM&CC") is accountable for overseeing the management of the risk profile and the implementation of an effective risk management culture throughout the organization. The ERM&CC is accountable for reviewing and recommending the risk appetite framework ("RAF") for approval by the Board annually, regularly reviewing the risk profile against the Board-approved risk appetite, satisfying itself that policies are in place and operating effectively to manage the major risk types to which the Company is exposed, providing a forum for analysis of an enterprise view of risk including trends and emerging risks, regularly assessing the Company's capacity to withstand potential adverse events and ensuring management allocates the appropriate resources to risk management.

The Audit Committee is accountable for the oversight of financial reporting and the information technology function, the adequacy and effectiveness of internal controls and the performance of the finance, internal audit and information technology functions.

The Conduct Review, Corporate Governance and Human Resources Committee ("CR,CG&HR") is accountable for the oversight of corporate governance and conduct, including potential conflicts of interest, policies, practices and processes, Board and management succession, development and compensation, and the effectiveness of the Board and its committees.

The Executive Committee consists of the Chief Executive Officer ("CEO") and senior management and is accountable for developing and reporting performance relative to the Board approved strategic plan and a comprehensive set of enterprise wide policies and frameworks for approval by the Board, including the RAF and ERMF. It is accountable for fostering a strong risk culture through "tone at the top" and for identifying and reporting significant risks to the ERM&CC.

Three-Lines-of-Defence

The three-lines-of-defence model is employed to provide clarity with respect to the risk management structure and assigns roles and accountabilities to enhance effective risk management and control.

First Line (Business Units):

- Accountable for known and emerging risks and is accountable for planning, directing and controlling the day-to-day operations of their respective business unit and establishing appropriate internal controls for managing risk
- Accountable for identifying, measuring, monitoring, and reporting risks within established risk appetite, regulatory guidelines and relevant policies and frameworks.
- Accountable for escalating risk issues and promoting a strong risk culture within their respective business unit.

Second Line (Oversight Functions):

- Provides independent objective oversight of the First Line of Defence through monitoring and challenge.
- Accountable for objectively identifying, measuring, monitoring and reporting known and emerging risks on an enterprise-wide basis and escalating risk issues in a timely manner to the Board and/or senior management.
- Identifies and assesses relevant regulatory changes and develops and implements risk measurement tools.
- Promotes a strong risk culture and establishes effective training material.
- Monitors and reports on compliance with the RAF and ensures compliance with the ERMF and related policies and procedures.

These activities are overseen by:

- The Risk function, under the leadership of the Chief Risk Officer ("CRO"), provides independent oversight, governance and objective challenge with respect to identifying, measuring, monitoring and reporting on enterprise-wide risks. The CRO has accountability for maintaining and managing the RAF, which includes reporting on significant business risks and for fostering a strong risk culture throughout the Company.

- The Finance function, under the leadership of the Chief Financial Officer ("CFO"), is accountable for the accuracy and integrity of the Company's accounting and financial reporting systems, including financial internal controls, financial statements, planning and budgeting systems and all other financial matters. The CFO is accountable for developing and monitoring performance and compliance against the Company's capital management strategy.

- The Chief Compliance Officer, Chief Anti Money Laundering Officer & Privacy Officer is accountable for identifying, measuring, monitoring and reporting on the Company's compliance with applicable laws and regulations as well as identifying and ensuring controls are adequately designed to mitigate risks, including compliance and regulatory risk.

Third Line (Internal Audit):

- Independent from both the First and Second Lines of Defence and headed by the Chief Audit Officer who reports to the Chair of the Audit Committee
- Provides reasonable assurance to senior management and the Board that the First and Second Lines of Defence are effectively managing and controlling risks
- Reviews the design and use of risk management tools, programs and systems in both the First and Second Lines of Defence to ensure compliance with the ERMF, related policies and procedures, and applicable laws and regulations, including the appropriateness of independent challenge.

Risk Appetite

The RAF governs the risk activities undertaken by the Company on an enterprise-wide basis. The RAF articulates the aggregate level and types of risk MCAN is willing to accept, or to avoid, in order to achieve its business objectives.

Key inputs into the RAF include MCAN's strategy and risk capacity, while the foundational components include risk appetite statements, risk appetite limits, and roles and accountabilities for the Board and senior management in relation to overseeing the implementation and monitoring of the RAF.

MCAN's overarching risk appetite statement is as follows:

1. Focus on sustainable and stable growth of earnings.
2. Maintain a conservative liquidity profile and a strong capital base.
3. Always maintain MIC status.
4. Maintain balance in the corporate mortgage portfolio for managed risk and returns.
5. Maintain access to adequate funding and capital markets at all times.
6. Ensure sound management of regulatory compliance and operational risk and maintain a strong risk culture.
7. Ensure financial resiliency in a stressed scenario.

MCAN's RAF includes risk appetite metrics to measure and monitor whether MCAN is operating within its established risk appetite.

Risk Culture

Risk culture is the system of values and behaviors present in an organization that shapes risk decisions of management and employees. Within MCAN's Three-Lines-of-Defence risk governance structure, all employees at all levels of the organization are responsible for managing the day-to-day risks that arise in the context of their role. Senior management plays a critical role in shaping risk culture by communicating the importance of risk management and ensuring that employees are aware of how their behaviors may impact the organization.

Stress Testing

Stress testing is a key risk management tool that supplements risk management practices by providing an assessment of our capacity to withstand potential adverse events and aids in refining our risk limits and chosen strategies. At least quarterly, MCAN conducts enterprise-wide stress testing covering a wide range of risks and correlations among risks.

Results of stress testing are interpreted in the context of our risk appetite and our specific risk appetite metrics including metrics for capital ratios, earnings volatility and level of stress losses. Enterprise-wide stress testing, recovery, capital and financial planning processes are integrated within the Company.

Monitoring and Reporting

Risk monitoring and reporting are key components of MCAN's ERMF and allow both the Board and senior management to execute their oversight and challenge responsibilities with respect to business operations. Risk Management reports risk exposures to senior management and the ERM&CC on a quarterly basis, to ensure business operations are within established risk appetite limits, policy level limits and policy guidelines. Reports include an enterprise-wide view of risks, risk profile, trend analysis, emerging risks, stress testing, including scenarios and sensitivity analysis, and ad hoc reporting, as applicable.

Major Risk Types

MCAN's major risk types include: Liquidity & Funding, Credit, Interest Rate, Market, Operational, Regulatory Compliance, Strategic and Reputational risk. Incidents related to these risks can adversely affect our ability to achieve our business objectives or execute our business strategies, and may result in a loss of earnings, capital and/or damage to our reputation. The ERMF addresses how we mitigate these risks by establishing effective policies, limits, and internal controls to monitor and mitigate these risks.

Liquidity and Funding Risk

Liquidity and funding risk is the risk that cash inflows, including the ability to raise deposits and access to other sources of funding, supplemented by assets readily convertible to cash, will be insufficient to honour all cash outflow commitments (both on and off-balance sheet) as they come due.

On a daily basis, we monitor our liquidity position to ensure that the level of liquid assets held (including insured single family mortgages, which are readily marketable within a time frame of one to three months), together with our ability to raise new deposits and other funding sources, is sufficient to meet our funding commitments, deposit maturity obligations, and other financial obligations.

The Board is accountable for the approval of the Liquidity Risk Management Framework ("LRMF"). The LRMF establishes a framework to maintain sufficient liquidity, including holding a portfolio of high-quality liquid assets to meet commitments as they come due. The LRMF details the daily, monthly and quarterly analyses that are performed by management, and includes a framework for daily funding requirements, gap analysis between assets and liabilities, deposit concentration levels, liquidity risk limits, and stress testing requirements, in alignment with both the standards set under the Trust Act and regulations or guidelines issued by OSFI. Further to the LRMF, we maintain a Contingency Funding Plan that details the strategies and action plans to respond to stress events that could materially impair our access to funding and liquidity.

The Asset and Liability Committee ("ALCO"), which is comprised of management, is accountable for liquidity management oversight. On a monthly basis, ALCO reviews the Company's liquidity risk profile, reviews funding strategies and regularly monitors performance against established liquidity risk limits. Monitoring of liquidity risk is reported to the Board and any exceptions or breach of key limits are immediately reported by ALCO to the ERM&CC. As at December 31, 2019 and 2018, we were in full compliance with the LRMF, key liquidity risk limits and regulatory requirements.

Stress testing is reviewed monthly by ALCO and quarterly by the Board. Liquidity stress testing is performed on singular and simultaneous scenarios. MCAN's stress testing is designed to ensure that exposures remain within the liquidity risk appetite and established Board-approved liquidity risk limits under the stress test scenarios. As at December 31, 2019 and 2018, we held sufficient liquidity and maintained the ability to fund obligations over the forecast period under the stress test scenarios.

We have access to liquidity through our ability to issue term deposits eligible for CDIC deposit insurance. These term deposits also provide us with the ability to fund asset growth as needed.

We maintain a demand loan revolver facility to meet our short-term obligations as required. Under the facility, there is a sublimit for issued letters of credit, which may be used to support the obligations of borrowers to municipalities in conjunction with construction loans. During December 31, 2019, the facility limit was increased from $75 million to $120 million.

We also have an agreement with a Canadian Schedule I Chartered bank that enables the Company to execute repurchase agreements for liquidity purposes. This facility provides liquidity and allows the Company to encumber certain eligible securities for financing purposes. As part of the agreement, we may sell assets to the counterparty at a specified price with an agreement to repurchase at a specified future date. The interest rate on the borrowings is driven by market spot rates at the time of borrowing. We will execute these repurchase agreements to provide alternative sources of liquidity when it is efficient and effective to do so.

OSFI's Liquidity Adequacy Requirements ("LAR") guideline currently establishes two minimum standards based on the Basel III framework with national supervisory discretion applied to certain treatments: the Liquidity Coverage Ratio ("LCR") and Net Cumulative Cash Flow ("NCCF") metrics. As at December 31, 2019 and 2018, we were in compliance with the LCR and NCCF metrics.

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a counterparty, for any reason, to fully honour its financial or contractual obligations to the Company, primarily arising from our investments and lending activities. Fluctuations in real estate values may increase the risk of default and may also reduce the net realizable value of the collateral property to the Company. These risks may result in defaults and credit losses, which may result in a loss of earnings.

Credit risk is managed through prudent risk management policies and procedures that emphasize the quality and diversification of our investments and lending activities. Credit policies include credit risk limits in alignment with the RAF. These credit risk limits include, but are not limited to, concentration by asset class, geographic region, dollar amount and borrower. These policies are amended on an ongoing basis and approved by the Board to reflect changes in market conditions and risk appetite.

The Capital Commitments Committee ("CCC"), which is comprised of management, is accountable for decision-making on credit risk issues and provides oversight of proposed investments for the construction, commercial and marketable and non-marketable securities portfolios.

Credit and commitment exposure are closely monitored by the First and Second Line of Defence. The Risk and Compliance Committee, which is comprised of management, monitors and challenges credit risk exposures, monitors portfolio and underwriting quality and performance against credit risk limits on a monthly basis, and the ERM&CC reviews all material risks affecting the Company on a quarterly basis, which includes the identification, assessment, and monitoring of material credit risks.

We identify potential risks in our mortgage portfolio by way of regular review of market and portfolio metrics, which are a key component of quarterly market reports provided to the Board by management. Existing risks in our mortgage portfolio are identified by arrears reporting, portfolio diversification analysis, post funding monitoring and risk rating trends of the entire mortgage portfolio. The aforementioned reporting and analysis provide adequate monitoring of and control over our exposure to credit risk.

We assign a credit score and risk rating for all mortgages at the time of underwriting based on the assessed credit quality of the borrower and the value of the underlying real estate. Risk ratings are reviewed annually at a minimum, and more frequently whenever there is an amendment, or a material change such as a default or impairment.

As part of our credit risk management process, we monitor our loan portfolio for early indicators of potential concerns. The "monitored/arrears" category includes construction and commercial loans that may experience events such as slow sales, cost overruns or are located in geographic markets in which concerns have arisen. Loans in this category are included in stage 2. Considering factors such as borrower equity, portfolio loan to value ratios and project liquidity, as at December 31, 2019 and 2018 there have been no indications at the portfolio level of potential loss of principal in excess of the allowances for credit losses recorded for mortgages in stage 1 and 2. For further information on the Company's staging, refer to the Company's 2019 Annual Report.

Our maximum credit exposure on our individual financial assets is equal to the carrying value of the respective assets, except for our corporate mortgage portfolio, where maximum credit exposure also includes outstanding commitments for future mortgage fundings and our investment in the KSHYF, where maximum credit exposure includes our total remaining commitment.

Credit Risk - Impairment Assessment Under IFRS 9

Impairment calculations are based on a forward-looking Expected Credit Loss ("ECL") methodology. ECL is composed of 3 submodels; Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). Each of these submodels produce quarterly projections of the respective metric under various macroeconomic scenarios. For further information on the Company's IFRS 9 impairment assessment and measurement approach, refer to the Company's 2019 Annual Report.

Probability of Default

The PD model is comprised of 1) forward looking macroeconomic projections and 2) internal risk rating based segmentation. Forward looking macroeconomic projections are built utilizing statistical regression to determine relationships between default rates and macroeconomic variables. Internal risk rating based segmentation views the portfolio by internal risk rating and credit scores to provide PD differentiation at the borrower level.

Loss given default

LGD is built utilizing statistical regression to determine a relationship between LGD and macroeconomic variables, using external LGD data from comparable historical portfolios to forecast LGD under macroeconomic scenarios.

Exposure at default

EAD is the borrower level exposure in the event of default, determined by forecasting advances and repayments on the portfolio. The forecast is determined utilizing historical advance and repayment trends and segmented by product type. EAD is forecast up to the expected lifetime of each individual loan, capped at 12 months for IFRS 9 stage 1 loans.

Grouping financial assets measured on a collective basis

The Company calculates ECLs either on a collective or specific basis for the corporate mortgage portfolio based on the line of business. ECLs are calculated on a specific basis for all mortgages in stage 3 and are calculated on a collective basis for all mortgages in stage 1 and stage 2.

Analysis of inputs into the ECL model under multiple economic scenarios

As part of the model input process, macroeconomic data are obtained from third party sources (e.g. rating agencies, bank economic forecasts), and our Risk Management department assesses the quality of data and assumptions in the Company's ECL models including determining the weights attributable to the multiple scenarios.

Interest Rate Risk

Interest rate risk is the potential impact of changes in interest rates on our earnings and capital. Interest rate risk arises when our assets and liabilities, both on and off-balance sheet, have mismatched repricing and maturity dates. Changes in interest rates where we have mismatched repricing and maturity dates may have an adverse effect on our financial condition and results of operations. Risk factors that MCAN regularly considers are credit spread, gap, basis and yield curve risks.

The Interest Rate Risk Management Framework, which is reviewed and approved by the Board, details MCAN's interest rate risk measurement tools, including stress testing, roles and accountabilities, and monitoring and reporting requirements. Additionally, it establishes appropriate interest rate risk limits and articulates appetite for interest rate exposures.

We evaluate our exposure to a variety of changes in interest rates across the term spectrum of our assets and liabilities including, both parallel and non-parallel changes in interest rates. By managing and strategically matching the terms of corporate assets and term deposits, we seek to reduce the risks associated with interest rate changes, and in conjunction with liquidity management policies and procedures, we also manage cash flow mismatches. ALCO reviews our interest rate exposure on a monthly basis using an interest rate spread and gap analysis as well as an interest rate sensitivity analysis based on various scenarios. This information is also formally reviewed by the Board each quarter.

We are also exposed to interest rate risk on insured single family mortgages between the time that a mortgage rate is committed to borrowers and the time that the mortgage is funded, and, in the case of mortgages securitized through the market MBS or CMB programs, the time that the mortgage is securitized. To manage this risk, we may employ various hedging strategies.

Future Regulatory Changes

In May 2019, OSFI issued revisions to Guideline B-12 - *Interest Rate Risk Management*, which provides guidance on the Basel Committee on Banking Supervision's interest rate risk in the banking book measures, standardized stress scenarios, and enhancements to governance processes, controls and modelling. The Company will adopt these revised requirements on January 1, 2021.

Market Risk

Market risk is the exposure to adverse changes in the value of financial assets. Market risk includes price risk on marketable securities, real estate values and commodity prices, among others. Any changes in these market risk factors may negatively affect the value of our financial assets, which may have an adverse effect on our financial condition and results of operations. We do not undertake trading activities as part of our regular operations, and therefore are not exposed to risks associated with activities such as market making, arbitrage or proprietary trading.

Our marketable and non-marketable securities portfolios are susceptible to market price risk arising from uncertainties about future values of the securities. We manage the equity price risk through diversification and limits on both individual and total securities. Portfolio reporting is submitted to management on a regular basis and to the Board on a quarterly basis.

Operational Risk

Operational risk is the potential for loss resulting from people, inadequate or failed internal processes, systems, or from external events.

The Operational Risk Management Framework ("ORMF") covers all components of MCAN's operational risk management including processes and control activities to ensure adherence with business and regulatory requirements. The ORMF sets out an integrated approach to identify, measure, monitor, manage and report on known and emerging operational risks. Senior management and the Board review operational risk assessments on a quarterly basis.

Outsourcing Risk

Within operational risk, outsourcing risk is the risk of losses resulting from: a) inadequate levels of services provided by third parties; or b) suddenly unavailable services by third parties that are not readily replaceable. We outsource the majority of our construction and commercial mortgage origination, mortgage servicing and collections to MCAP and other third parties. There is a risk that the services provided by third parties will fail to adequately meet our standards.

The Company's Outsourcing Policy, which is approved by the Board, incorporates the relevant requirements of OSFI Guideline B-10, *Outsourcing of Business Activities, Functions and Processes*. We regularly review our outsourced arrangements to determine if an arrangement is material and to assess the overall risk inherent in that arrangement. All outsourced arrangements are subject to a risk management program, which includes detailed monitoring activities. If an outsourced arrangement is material, it is subjected to an enhanced risk management program.

Information Technology and Cybersecurity Risk

Within operational risk, information technology ("IT") and cybersecurity risk is the risk of loss resulting from clients' private and confidential information being compromised, and unauthorized access to MCAN's systems, which could lead to disruption to business as usual practices.

We collect and store confidential and personal information to the extent needed for operational purposes. Risk factors include unauthorized access to the Company's computer systems which could result in the theft or publication of confidential information, the deletion or modification of records or could otherwise cause interruptions in the Company's operations.

Despite the Company's implementation of security measures, its systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. Any such system failure, accident or security breach could disrupt the Company's delivery of services and make the Company's applications unavailable or cause similar disruptions to the Company's operations. If the Company's network security is penetrated or its sensitive data is misappropriated, we could be subject to liability or our business could be interrupted, and any of these developments could have a material adverse effect on the Company's business, results of operations and financial condition.

The IT Management Committee, which is comprised of management, is accountable for overseeing technology and cybersecurity risk exposures and management activities. The IT Management Committee reports IT and cybersecurity risks to the Audit Committee. We also use external third party advisors and service providers to provide technical expertise, to assist with periodic cybersecurity assessments and to continuously monitor our IT infrastructure for cybersecurity risks. We have undertaken external vulnerability tests performed by an independent external party. We maintain an incident response plan and have designated officers responsible for the oversight over cybersecurity risks. We also maintain cybersecurity insurance coverage for both direct and third party coverage in the event of a cybersecurity incident that would result in a loss.

Model Risk

Model risk is the risk of potential adverse consequences from decisions based upon inaccurate or inappropriate model outputs, taking into account all errors at any point from design through implementation.

The Model Risk Management Policy describes the overarching principles that provide the framework for managing model risk in a sound and prudent manner. All models are subject to a periodic review based on model complexity and model materiality ratings. Periodic assessment of models is a key element of the ongoing validation phase of the model life-cycle.

Risk of Accuracy and Completeness of Borrower Information

In the single family mortgage underwriting process, we rely on information provided by potential borrowers and other third parties, including mortgage brokers. We may also rely on the representations of potential borrowers and third parties as to the accuracy and completeness of that information. Our financial position and performance may be negatively impacted if this information is intentionally misleading or does not fairly represent the financial condition of the potential borrower and is not detected by our internal controls.

We frequently review and enhance our underwriting procedures and control processes to strengthen our ability to detect such inaccurate and misleading information and to manage this risk. These enhancements include improvements to underwriting staff training, independent income verification procedures, and other quality control and quality assurance processes.

The Canadian mortgage industry periodically experiences falsification of supporting documents provided to lenders in the mortgage underwriting process, and we have observed instances of this activity in our own underwriting processes. The implementation of significant changes to regulatory requirements reduces the number of borrowers that qualify for new mortgages, which increases the risk of document falsification.

To date, this document falsification has not had a material impact on MCAN or its financial position or performance. We do not expect to experience any material impact to our financial position or performance in the future relating to such document falsification.

Regulatory Compliance Risk

Regulatory compliance risk arises from the Company's potential non-conformance with existing and new laws, rules, regulations, prescribed practices, or ethical standards in any jurisdiction in which it operates. Regulatory compliance risk also arises from the exercise of discretionary oversight by regulatory or other competent authorities that may adversely affect us, including by limiting the products or services that we provide, restricting the scope of our operations or business lines, limiting pricing and availability of products in the market, increasing the ability of competitors to compete with our products and services or requiring us to cease carrying on business. Our failure to comply with applicable laws and regulations may result in sanctions and financial penalties that could adversely impact our earnings and damage our reputation. Increasing regulations and expectations, both globally and domestically, have increased the cost and resources necessary to meet regulatory expectations for the Company.

The Company's Chief Compliance Officer, Chief Anti Money Laundering Officer & Privacy Officer independently oversees the adequacy of, adherence to, and effectiveness of day-to-day compliance procedures in alignment with the Company's Regulatory Compliance Management Framework. Additionally, the Risk and Compliance Committee and the Board review and effectively challenge regulatory compliance risk-related reports on a quarterly basis.

Strategic Risk

Strategic risk is the risk of loss due to fluctuations in the external business environment, and the failure of management to adjust its strategies, business model and business activities to adapt or respond appropriately.

Strategic risk is managed by the CEO and senior management. The Board approves the Company's strategies at least annually and reviews results and needed changes as applicable against those strategies regularly. Strategies are aligned to be consistent with the RAF, regulatory and other internal requirements.

As a result of this risk, there can be no assurance that the Company will generate any returns or be able to pay dividends to our shareholders in the future.

Reputational Risk

Reputational risk is a risk of loss or adverse impacts resulting from damages to MCAN's reputation, regardless of whether the facts that underlie the event are true or not.

The loss of reputation can greatly affect shareholder value through reduced public confidence, a loss of business, legal action, or increased regulatory oversight. Reputation refers to the perception of the enterprise by various stakeholders. Typically, key stakeholder groups include investors, borrowers, depositors, employees, suppliers, regulators, brokers and strategic partners. Perceptions may be impacted by various events including financial performance, specific adverse occurrences from events such as cybersecurity issues, unfavourable media coverage, and changes or actions of the Company's leadership. Failure to effectively manage reputational risk can result in reduced market capitalization, loss of client loyalty, reduced access to deposit funding and the inability to achieve our strategic objectives.

We believe that the most effective way for the Company to safeguard its public reputation is through embedding successful processes and controls, along with the promotion of appropriate conduct, risk culture and risk management. Reputational risk is mitigated by management of the underlying risks in the business and is monitored and reported to the Board on a quarterly basis.

Other Risk Factors

Reliance on Key Personnel

Our future performance is dependent on the abilities, experience and efforts of our management team and other key personnel. There is no assurance that we will be able to continue to attract and retain key personnel, although it remains a key objective of the Company. Should any key personnel be unwilling or unable to continue their employment with MCAN, there may be an adverse effect on our financial condition and results of operations.

Mortgage Renewal and Prepayment Risk

We retain renewal rights on mortgages that we originate that are either sold to third parties or retained on the consolidated balance sheet. If mortgagors are unable to renew their mortgages at their scheduled maturities, we may be required to use our own financial resources to fund these obligations until mortgage arrears are collected or, in the case of insured single family mortgages, proceeds are received from mortgage insurers following the sale of mortgaged properties.

The primary risks associated with the market MBS program and CMB program are prepayment, liquidity and funding risk, including the obligation to fund 100% of any cash shortfall related to the Timely Payment obligation. Prepayment risk includes the acceleration of the amortization of mortgage premiums, as applicable, as a result of early payouts.

Economic and Geopolitical Conditions

Factors that could impact the overall market and economic stability of the Company's operations include changes in short-term and long-term interest rates, commodity prices, international trade, inflation, consumer confidence, business and government spending, real estate market activity, real estate prices and adverse economic events. Though the nature and extent of these risks may vary depending on circumstances, an increased level of uncertainty for economic growth and market volatility in interest rates may arise. Our inability to respond to changes effectively may have an adverse effect on our financial condition and results of operations.

Competition Risk

Our operations and income are a function of the interest rate environment, the availability and acceptance of mortgage products at reasonable yields and the availability of term deposits at reasonable cost. The availability and acceptance of mortgage products for the Company and the yields thereon are dependent on market competition. In the event that we are unable to compete successfully against our current or future competitors or raise term deposits to fund our lending activities at reasonable rates, there may be an adverse effect on our financial condition and results of operations.

Qualification as a Mortgage Investment Corporation

If for any reason we do not maintain our qualification as a MIC under the Tax Act, taxable dividends and capital gains dividends paid by MCAN on our common shares will cease to be fully or partly deductible in computing income for tax purposes.

Capital Adequacy Risk

Capital adequacy risk is the risk that the Company does not hold sufficient capital to manage Company-wide risks and unexpected financial losses. Oversight of the Company's capital adequacy risk is monitored and managed by the CFO.

Environmental Risk

We recognize that environmental hazards are a potential liability. This risk exposure can result from non-compliance with environmental laws, either as principal or lender, which may negatively affect our financial condition and results of operations. We aim to mitigate this risk by complying with all environmental laws and by applying a rigorous environmental policy and procedures to our commercial and development lending activities.

General Litigation

In the ordinary course of business, MCAN and its service providers (including MCAP), their subsidiaries and related parties may be party to legal proceedings that may result in unplanned payments to third parties.

To the best of our knowledge, we do not expect the outcome of any existing proceedings to have a material adverse effect on the consolidated financial position or results of operations of the Company.

Changes in Accounting Standards and Accounting Policies

We may be subject to changes in the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes may materially impact how we record and report our financial condition and results of operations and, in certain circumstances, we may be required to retroactively apply a new or revised standard that results in our restating prior period financial statements.

DIVIDEND POLICY AND RECORD

Our dividend policy is to pay out substantially all of our taxable income to our shareholders. As a MIC under the Tax Act, we are entitled to deduct dividends paid to up to 90 days after year end from taxable income. Regular dividends are taxable to our shareholders as interest income. In addition, as a MIC, we can pay certain capital gain dividends, which are taxed as capital gains to our shareholders. We intend to continue to declare dividends on a quarterly basis. The Company has historically paid out dividends in cash but has the option to pay out its dividends in the form of cash or shares. In the event of a significant increase in taxable income relative to accounting income, the Company may look to pay out a combination of regular dividends in the form of cash and special dividends in the form of shares. This is consistent with our dividend policy and our obligations as a MIC, while at the same time providing a cost effective source of capital for the Company to support future growth and business operations.

Dividends per share over the past three years were as follows:

Fiscal Period	2019	2018	2017
First Quarter	$ 0.32	$ 0.37	$ 0.30
Second Quarter	0.32	0.37	0.32
Third Quarter	0.32	0.37	0.32
Fourth Quarter	0.32	0.32	0.37
	$ 1.28	**$ 1.43**	**$ 1.31**

The Board declared a first quarter regular dividend of $0.34 per share to be paid March 30, 2020 to shareholders of record as of March 13, 2020.

Dividend Reinvestment Plan

On November 14, 2011, we announced that we had received approval from the TSX to amend and restate our dividend reinvestment plan effective November 11, 2011 (the "DRIP") to, among other things, provide eligible participants with a 2% discount on the purchase of MCAN common shares ("Common Shares") issued from treasury. Pursuant to the amended terms of the DRIP, the discount is effective until further notice from MCAN. Notwithstanding the foregoing, we continue to reserve the right to deliver Common Shares purchased on the open market, in which case the discount would not apply.

Pursuant to the DRIP, cash dividends paid to participating holders of Common Shares (less any applicable withholding taxes) are automatically reinvested in Common Shares purchased by Computershare Trust Company of Canada ("Computershare"), as agent, at our discretion, either (i) on the open market at market prices or (ii) from treasury at the weighted average trading price for the five days preceding the relevant dividend payment date less a discount of 2% until further notice from MCAN.

There are no commissions, service charges or brokerage fees payable by participants under the DRIP, except where purchases of Common Shares under the DRIP are made on the open market. Such purchases are made through registered brokers whose fees are included in determining the average weighted cost to participants of Common Shares so purchased. All other administrative costs of the DRIP, including the fees and expenses of Computershare, as agent, are borne by MCAN.

A copy of the DRIP and a form permitting registered shareholders to elect to participate in or withdraw from the DRIP are available by calling our Corporate Secretary at (416) 572-4880, and a copy of the DRIP is available on our website at www.mcanmortgage.com under the heading “Investors”, then “Dividends” or on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com. Beneficial owners of Common Shares must make arrangements with the financial institution or stock brokerage through which they hold their Common Shares to participate in the DRIP. Once a registered holder or a beneficial owner has enrolled in the DRIP, participation continues automatically unless terminated by the participant in accordance with the terms of the DRIP.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of Common Shares with no par value. These Common Shares are the only voting securities of MCAN.

At December 31, 2019 there were 24,215,383 Common Shares outstanding (2018 - 23,798,464). As of the date hereof, the number of Common Shares outstanding is 24,292,882. Generally, each Common Share provides one vote per share. However, the Directors are elected by cumulative voting, as required by our by-laws and the Trust Act. The by-laws and the Trust Act require cumulative voting for the election of directors where more than 10% of the voting shares of a company are beneficially owned, directly or indirectly, by a shareholder. Under the cumulative voting system, each holder of Common Shares has the right to cast a number of votes equal to the number of votes attached to the Common Shares held by the shareholder multiplied by the number of directors to be elected at the meeting. The shareholder may cast all such votes in favor of one nominee or distribute them among the nominees in any manner.

Pursuant to the Tax Act, if any shareholder or related group of shareholders acquires more than 25% of the Common Shares, we will no longer qualify as a MIC.

Changes to our share capital over the past two years are analyzed in Note 17 to our 2019 consolidated financial statements for the year ended December 31, 2019, contained in our 2019 Annual Report, which is incorporated by reference in this AIF. Our 2019 Annual Report is available on SEDAR at www.sedar.com and on our website at www.mcanmortgage.com.

Executive Share Purchase Plan

The Company amended its Executive Share Purchase Plan ("the Plan") in 2019. On March 21, 2019, the Board of Directors approved an amendment to the Plan that precludes the granting of awards under the Plan before the sixth day after the end of a black-out period.

MARKET FOR SECURITIES

MCAN's Common Shares are listed and posted for trading on the TSX under the trading symbol "MKP". The volume of Common Shares traded during 2019 was 3,974,750 compared to 5,123,242 in 2018. The range of trading prices during 2019 was $13.31 to $17.53 (2018 - $12.21 to $19.46). The monthly high and low closing prices and trading volumes for the periods indicated below were as follows:

Month in 2019	Volume Traded	High ($)	Low ($)
January	378,163	14.36	13.31
February	292,814	14.78	13.70
March	365,878	16.11	14.28
April	304,072	16.22	15.53
May	432,778	16.24	15.51
June	275,012	16.13	15.62
July	345,063	16.04	15.75
August	318,716	16.06	15.00
September	324,894	15.98	15.55
October	276,557	16.12	15.62
November	345,670	17.15	15.97
December	315,133	17.53	16.68

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To our knowledge, there are no Common Shares that are subject to a contractual restriction on transfer.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

As at December 31, 2019, as a group, the directors and executive officers of MCAN beneficially owned, directly or indirectly, or exercised control or direction over 5,491,978 common shares, representing a 22.68% interest in MCAN.

Directors

Information concerning our directors as at December 31, 2019, and their municipalities of residence and principal occupations, is as shown in the table below. The term of office of each of the directors will expire at the time of our next Annual General Meeting of shareholders to be held on May 12, 2020.

Name and Municipality of Residence	Director Since	Principal Occupation for the last five years	Common Shares Owned and/or Controlled at December 31, 2019 [10]	Approximate Percentage of Common Shares
VERNA CUTHBERT [2,3] Westmount, Quebec, Canada	September 2013	Corporate Director, MCAN Mortgage Corporation [4]	8,207	0.03%
SUSAN DORÉ [1,2] Toronto, Ontario, Canada	May 2010	Corporate Director, MCAN Mortgage Corporation	1,473,974	6.09%
GORDON HERRIDGE [1,3] Peachland, British Columbia, Canada	May 2018	Corporate Director, MCAN Mortgage Corporation [5]	129,831	0.54%
LORAINE MCINTOSH [1,3] Toronto, Ontario, Canada	May 2017	Corporate Director, MCAN Mortgage Corporation [6]	6,741	0.03%
GAELEN MORPHET [1,2] Toronto, Ontario, Canada	January 2018	Chief Investment Officer, Cinnamon Investments ULC [7]	11,000	0.05%
DEREK SUTHERLAND [2,3] Toronto, Ontario, Canada	May 2017	President, Canadazil Capital Inc. [8]	121,387	0.50%
IAN SUTHERLAND Oro-Medonte, Ontario, Canada	January 1991	Chair, MCAN Mortgage Corporation	3,559,672	14.70%
KAREN H. WEAVER Collingwood, Ontario, Canada	November 2011	President and Chief Executive Officer, MCAN Mortgage Corporation [9]	33,538	0.14%

1. Member of the Audit Committee.
2. Member of the Conduct Review, Corporate Governance & Human Resources Committee.
3. Member of the Enterprise Risk Management and Compliance Committee.
4. Prior to April 2017, Ms. Cuthbert was Counsel at Fasken Martineau DuMoulin LLP.
5. Prior to July 2017, Mr. Herridge was Senior Vice President, Corporate Services, MCAP Commercial LP.
6. Prior to March 2015, Ms. McIntosh was Partner, Deloitte LLP.
7. Since January 2019, Ms. Morphet has served as a Director of CMA Investco Inc. From August 2016 to September 2017, Ms. Morphet was Executive Vice President & Chief Investment Officer of Sentry Investments (investment management). Prior to June 2016, Ms. Morphet was Senior Vice President & Chief Investment Officer of Empire Life Investments (investment management).
8. Prior to June 2016, Mr. Sutherland was Vice President and Chief Risk Officer of MCAN Mortgage Corporation. Canadazil Canada Inc. is an investment company.
9. Prior to October 2018, Ms. Weaver was Director, MCAN Mortgage Corporation. Prior to June 2017, Ms. Weaver was Chief Financial Officer of D+H Corporation (financial technologies company).
10. The information as to Common Shares owned, directly or indirectly, or over which control or direction is exercised has been furnished by the respective directors.

Executive Officers

Information concerning our executive officers as at December 31, 2019, and their municipalities of residence and principal occupation is as shown in the table below.

Name and Municipality of Residence	Office	Principal Occupation for the last five years	Common Shares Owned and/or Controlled at December 31, 2019 [1]	Approximate Percentage of Common Shares
KAREN H. WEAVER Collingwood, Ontario, Canada	President & Chief Executive Officer	Prior to October 2018, Ms. Weaver was Director, MCAN Mortgage Corporation. Prior to June 2017 Ms. Weaver was Chief Financial Officer of D+H Corporation (financial technologies company).	33,538	0.14%
DIPTI PATEL Toronto, Ontario, Canada	Vice President & Chief Financial Officer	Prior to her appointment as Chief Financial Officer in October 2018, Ms. Patel held the role of Vice President & Chief Audit Officer for MCAN. Prior to 2016, Ms. Patel held the role of AVP, Investments for MCAN.	1,307	0.01%
MARTIN BEAUDRY Richmond Hill, Ontario, Canada	Vice President, Single Family Mortgage Operations	Prior to joining MCAN in 2016, Mr. Beaudry held various senior roles at other financial institutions, focusing on retail lending and operations.	15,714	0.06%
CARL BROWN Toronto, Ontario, Canada	Vice President, Investments	Prior to his appointment as Vice President, Investments in October 2019, Mr. Brown held the role of Vice President, Operations and Treasurer for MCAN.	30,783	0.13%
EMILY RANDLE Toronto, Ontario, Canada	Vice President & Chief Risk Officer	Prior to her appointment as Chief Risk Officer in October 2018, Ms. Randle held the role of Vice President, Credit Risk Monitoring and Management for MCAN. Prior to 2018, Ms. Randle worked at a large Schedule I bank in various roles, including commercial lending, real estate finance and financial restructuring.	836	0.00%
MICHAEL E. JENSEN Waterloo, Ontario, Canada	Vice President & Chief Compliance Officer (Chief Anti Money Laundering & Privacy Officer)	Prior to his appointment as Vice President & Chief Compliance Officer (Chief Anti-Money Laundering & Privacy Officer) in November 2018, Mr. Jensen held the role of Chief Anti-Money Laundering Officer & Privacy Officer for MCAN.	11,939	0.05%
SYLVIA PINTO Brampton, Ontario, Canada	Vice President, Corporate Secretary & Governance Officer	Prior to November 2018, Ms. Pinto held the role of Vice President, Chief Compliance Officer & Corporate Secretary for MCAN. Prior to August 2016, Ms. Pinto held the role of Corporate Secretary & Chief Compliance Officer for MCAN.	42,062	0.17%
MILICA PEJIC Toronto, Ontario, Canada	Vice President & Chief Audit Officer	Prior to joining MCAN in July 2018, Ms. Pejic worked in large global consulting firms, specializing in governance, risk and control advisory services.	3,000	0.01%
PAUL GILL Brampton, Ontario, Canada	Vice President, Information Technology	Prior to joining MCAN in September 2018, Mr. Gill held the position of Vice President of Information Technology at another regulated financial institution.	8,449	0.03%

[1] The information as to Common Shares owned, directly or indirectly, or over which control or direction is exercised has been furnished by the respective executive officers.

Additional Disclosure Relating to Directors and Executive Officers

To our knowledge, no director or executive officer of MCAN is, or has been in the last ten years, a director, chief executive officer or chief financial officer of a company that (i) was the subject of an order that was issued while that person was acting in that capacity, or (ii) was subject to an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in that capacity.

For the purposes of the above paragraph, “order” means (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days.

To our knowledge, no director or executive officer of MCAN or a shareholder holding a sufficient number of securities of MCAN to affect materially the control of MCAN, (i) is or has been within the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To our knowledge, no director or executive officer of MCAN, or a shareholder holding a sufficient number of securities of MCAN to affect materially the control of MCAN has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are no existing or potentially material conflicts of interest of which we are aware between MCAN or any of its subsidiaries and any director or officer of MCAN or any director of officer of any of its subsidiaries.

REGULATORY ACTIONS

In the ordinary course of business, MCAN may be subject to penalties or sanctions imposed by regulatory authorities from time to time in relation to administrative matters, including late filings or reporting, which may be considered penalties or sanctions pursuant to Canadian securities regulators but which are not, individually or in the aggregate, material, nor would they likely be considered important to a reasonable investor making an investment decision.

During the 2019 financial year, MCAN did not face any penalties imposed by securities regulatory authorities, or enter into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority, as such terms are defined by National Instrument 14-101[1].

[1] National Instrument 14-101 limits the meaning of ‘securities legislation’ to Canadian provincial and territorial legislation and ‘securities regulatory authority’ to Canadian provincial and territorial securities regulatory authorities.

AUDIT COMMITTEE INFORMATION

The primary purpose of the Audit Committee (the "Committee") is to assist the Board in its oversight role with respect to:

1. the effectiveness of MCAN's internal control environment including specifically internal controls over financial reporting;
2. the quality and integrity of MCAN's financial information;
3. MCAN's compliance with legal and regulatory requirements pertaining to financial disclosure;
4. the meeting of MCAN's reporting issuer obligations;
5. the independent auditor's performance, qualifications and independence; and
6. the performance of MCAN's Finance, Internal Audit and Information Technology functions.

The Audit Committee's role and accountabilities are outlined in Schedule "A" to this Annual Information Form.

As of December 31, 2019, the members of the Audit Committee were Gordon Herridge (Chair), Susan M. Doré, Loraine McIntosh and Gaelen Morphet. All members of the Audit Committee are, for the purposes of *National Instrument 52-110 - Audit Committees*, considered to be independent and financially literate. The following is a description of the education and experience of each member of the committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee.

Mr. Herridge obtained his CPA, CA designation in 1980 and holds a Bachelor of Arts (Economics) from the University of Waterloo. Mr. Herridge was Senior Vice President, Corporate Services at MCAP Commercial LP when he retired in July, 2017. Prior to that role, Mr. Herridge held the roles of Executive Vice President and Chief Financial Officer of MCAP Leasing and Chief Financial Officer of MCAP Service Corporation. Prior to his 26-year career at MCAP, Mr. Herridge worked with private commercial real estate development and management companies, as well as in public accounting.

Ms. Doré obtained her CPA, CGA designation in 1986. Prior to her retirement in 2003, Ms. Dore was Corporate Secretary of MCAN Mortgage Corporation from 1998 to 2003, and from 1991 to 1998 was Chief Financial Officer of MCAP Securities Inc. Ms. Doré is an ICD.D in Canada and a member of the Institute of Corporate Directors.

Ms. McIntosh obtained her CPA designation in 1984 and holds a Bachelor of Business Administration (Honours) from York University. Prior to her retirement in 2015, Ms. McIntosh served as an Audit and Advisory Partner with Deloitte LLP. Ms. McIntosh has over 30 years of experience providing accounting, assurance and advisory services to a wide range of organizations across Canada (both public and private) with a particular emphasis on the financial services sector.

Ms. Morphet is a Chartered Financial Analyst (CFA), and currently serves on the Board of CMA Investco Inc. From August 2016 to September 2017, Ms. Morphet was Executive Vice President & Chief Investment Officer of Sentry Investments. Prior to June 2016, Ms. Morphet was Senior Vice President & Chief Investment Officer of Empire Life Investments.

AUDIT FEES

Fees paid to the Company's auditor, Ernst & Young LLP for the past two years are as follows. Amounts listed below represent the amount billed in the year.

Category		2019		2018
Audit Fees	$	483,000	$	503,000
Audit-Related Fees [1]		58,600		63,600
Tax Fees [2]		40,000		44,800
All Other Fees [3]		3,000		3,000
Total Fees	$	584,600	$	614,400

1. Audit-Related Fees include AMF (Autorité des marchés financiers) and CMHC compliance
2. Tax Fees include tax planning, review of tax returns and tax advice
3. Other Fees includes accounting guidance reference materials

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Information related to Interest of Management and Others in Material Transactions may be found in the "Indebtedness of Directors and Executive Officers" section of our 2019 and 2018 Management Information Circulars, herein incorporated by reference. Such Management Information Circulars are available on SEDAR at www.sedar.com and on our website at www.mcanmortgage.com. For the year ended December 31, 2019, we are not aware of any instances where a director, executive officer, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of outstanding voting securities, or any of their associates or affiliates has or had any material interest, direct or indirect, in any transaction during the current financial year that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada, located in Toronto, Ontario, is our transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the only material contract entered into by the Company within the most recently completed financial year, or before the most recently completed financial year which is currently in effect is as follows:

On November 11, 2010, MCAN and MCAP entered into an amended mortgage acquisition agreement, which replaces the mortgage origination and servicing agreement dated October 20, 2006 between the parties. Pursuant to the agreement, MCAP originates and services investment mortgages (which are intended to be held by MCAN on a long-term investment basis) for MCAN. The agreement also sets forth certain terms applicable to a sale of investment mortgages by MCAN, in that MCAP has certain rights of first refusal to assist with such sale. Origination and servicing rates are set forth in the agreement and vary depending upon the type of mortgage that is being originated and serviced. Either party may terminate the agreement on 90 days' notice.

INTEREST OF EXPERTS

Ernst & Young LLP, the external auditor of MCAN, reported on our 2019 consolidated financial statements. At the time of preparing its report on the 2019 consolidated financial statements, Ernst & Young LLP was independent of MCAN in accordance within the meaning of the Rules of Professional Conduct of Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information about MCAN is available on our website at www.mcanmortgage.com and under our profile on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities, securities authorized for issuance under equity compensation plans and interests of insiders in material transactions, is contained in our 2019 and 2018 Management Information Circulars. Additional financial information is provided in our consolidated financial statements and MD&A in our 2019 Annual Report for the year ended December 31, 2019.

Copies of our AIF, as well as copies of our 2019 Annual Report for the year ended December 31, 2019 and the 2019 and 2018 Management Information Circulars, may be obtained from:

MCAN Mortgage Corporation
200 King Street West
Suite 600
Toronto, ON M5H 3T4

Attn: Corporate Secretary
Email: mcanexecutive@mcanmortgage.com

SCHEDULE A - MANDATE OF THE AUDIT COMMITTEE

Role

The primary purpose of the Audit Committee (the “Committee”) is to assist the Board in its oversight role with respect to:

1. the effectiveness of MCAN’s internal control environment including specifically internal controls over financial reporting;
2. the quality and integrity of MCAN’s financial information;
3. MCAN’s compliance with legal and regulatory requirements pertaining to financial disclosure;
4. the meeting of MCAN’s reporting issuer obligations;
5. the independent auditor’s performance, qualifications and independence; and
6. the performance of MCAN’s Finance, Internal Audit and Information Technology functions.

Composition and Operations

1. The Committee shall consist of at least three directors appointed annually by the Board.

2. No member of the Committee shall be an officer or employee of MCAN, its subsidiaries or affiliates. All members of the Committee shall be independent. A majority of the members of the Committee will not be affiliated with MCAN as such term is defined in the *Trust and Loan Companies Act* (Canada).

3. Each member of the Committee shall satisfy the applicable independence, proficiency and experience requirements of the laws, regulations and guidelines governing MCAN, the applicable stock exchange (s) on which MCAN’s securities are listed, applicable securities regulatory authorities and MCAN’s Director Independence Policy.

4. The Board shall appoint one member of the Committee as the Committee Chair.

5. Each member of the Committee shall be financially literate as such qualification is defined by applicable laws, regulations and guidelines and interpreted by the Board in its business judgement.

6. The Committee shall meet at least quarterly and as many additional times as necessary. The Committee shall report to the Board on its activities after each of its meetings.

7. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution.

Specific Duties

Oversight of the Independent Auditor

1. Recommend to the Board the appointment, reappointment or removal of the independent auditor for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attestation services for MCAN, subject to required shareholder approval.

2. Review and discuss with management and the independent auditor, prior to the annual audit, the scope, planning, materiality and staffing of the annual audit. Satisfy itself that the audit plan is risk-based and addresses all of the relevant activities over a measurable cycle, that the work of the independent auditor and the internal auditor is coordinated and recommend to the Board the engagement letter.

3. Review and approve the compensation of the independent auditor and ensure that the audit fee is not affected by inappropriate levels of materiality, inappropriate scope limitations or inappropriate consideration of the significant audit risks.

4. Provide oversight of the work of the independent auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services (including resolution of disagreements between management and the independent auditor regarding financial reporting). Ensure that the independent auditor reports directly to the Committee.

5. Pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be provided by the independent auditor. When appropriate, the Committee may delegate to the Chair of the Committee the authority to grant pre-approvals of audit and permitted non-audit services, provided that such authorization does not exceed $100,000 in a calendar year, and the full Committee shall be informed of such approvals at its next scheduled meeting.

6. Evaluate the qualifications, performance and independence of the independent auditor, including:

   (i) reviewing and evaluating the lead partner on the independent auditor's engagement with MCAN;

   (ii) reviewing and evaluating the structure and governance of the independent audit firm;

   (iii) considering whether the independent auditor's quality controls are adequate and address the most recent and relevant CPAB Big Four inspection findings;

   (iv) reviewing and evaluating the independent audit firm's procedures to ensure that it is aware of regulatory requirements affecting MCAN that could impact the auditor's work;

   (v) considering whether the provision of permitted non-audit services is compatible with maintaining the independent auditor's independence;

   (vi) reviewing with the independent auditor its annual independence letter and, in the event that the independent auditor has not changed for many years, considering the possibility of familiarity or self-interest bias;

   (vii) addressing any concerns raised by regulatory authorities or other stakeholders regarding the independent auditor's independence; and

   (viii) considering the overall effectiveness of the annual audit.

7. At least annually, complete an assessment of the overall quality of the independent auditor, including obtaining and reviewing a report from the independent auditor regarding:

   (i) the independent auditor's internal quality-control procedures;

   (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditor;

   (iii) any steps taken to deal with any such issues; and

   (iv) all relationships between the independent auditor and MCAN.

8. No less frequently than every five years, complete a comprehensive review of the independent auditor using the guidance tool issued by CPA Canada.

9. Present the Committee's conclusions with respect to the independent auditor to the Board and, if so determined by the Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the independent auditor.

10. Review with management annually the process for tendering the external audit.

11. Ensure that the independent auditor delivers all communications proposed in its annual audit plan as well as all communications to the Audit Committee as required by Canadian Generally Accepted Auditing Standards.

12. Ensure the rotation of the lead audit partner having primary responsibility for the audit as required by applicable laws, regulations, guidelines or professional standards.

13. Review and approve hiring policies regarding partners and employees or former partners and employees of the present and former independent auditor.

14. Establish and maintain free and open communication with the independent auditor, including meeting separately with the independent auditor to assess the adequacy and effectiveness of MCAN's internal control systems, and report to the Board on the effectiveness of the independent audit process.

15. Review and discuss with management at least annually the risk of the independent auditor withdrawing from the audit and contingency plans related thereto.

Financial Reporting

16. Review and discuss with management and the independent auditor the annual audited financial statements, the independent auditor's report thereon, any changes to the audit scope or strategy, and any other returns or transactions required to be reviewed by the Committee and report to the Board prior to approval by the Board and publication of earnings.

17. Review and discuss with management MCAN's quarterly financial statements prior to approval by the Board and publication of earnings.

18. Review and discuss with management and the independent auditor, as appropriate, the annual and quarterly disclosures made in management's discussion and analysis prior to approval by the Board and publication.

19. Review such returns as the Office of the Superintendent of Financial Institutions may specify.

20. Review and discuss with management no less frequently than annually the procedures taken by management with respect to the design, implementation and operating effectiveness of the overall internal control environment including internal controls over financial reporting and for the prevention and detection of fraud and error.

21. Review, evaluate and approve the procedures established under item 20.

22. Review such investments and transactions that could adversely affect MCAN's well-being as the independent auditor or any officer of MCAN may bring to the attention of the Committee.

23. At least annually, review and discuss with management and the independent auditor significant financial reporting issues and judgements made in connection with the preparation of MCAN's financial statements, including:

    (i) key areas of risk for material misstatement of the financial statements, including critical accounting estimates or areas of measurement uncertainty;

(ii) whether the independent auditor considers estimates to be within an acceptable range and the rationale for the final valuation decision and whether it is consistent with industry practice;

(iii) any significant changes in MCAN's selection or application of accounting principles and practices suggested by the independent auditor, internal audit personnel or management and assess whether MCAN's accounting practices are appropriate;

(iv) any major issues as to the adequacy and effectiveness of MCAN's internal controls; and

(v) any special steps adopted in light of material control deficiencies.

24. At least annually, review and discuss with management and the independent auditor the findings of the independent auditor's work in completing the annual audit, including:

(i) critical accounting policies and practices to be used;

(ii) the independent auditor's view on significant matters that arose during the audit, including any issues that involved significant judgements and/or estimates;

(iii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;

(iv) any significant difficulties encountered by the independent auditor over the course of the audit;

(v) the nature and levels of misstatements identified during the audit;

(vi) any issues or concerns of the independent auditor related to undertakings given by management in its letter of representation;

(vii) any findings or recommendations of the independent auditor related to deficiencies in MCAN's internal controls over financial reporting; and

(viii) other material written communications between the independent auditor and management, such as any management letter.

25. At least annually, review and discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on MCAN's financial statements.

26. Periodically review and recommend to the Board the Disclosure Policy, which governs the release of information about MCAN and requires timely, accurate and fair disclosure of such information in compliance with all legal and regulatory requirements.

27. Review all financial public disclosure documents, including information contained in earnings press releases, Investor Presentations, Annual Information Forms, Annual Reports and Management Information Circulars prior to approval by the Board.

28. Review and discuss with the CEO and the CFO the procedures undertaken in connection with the CEO and CFO certifications for the annual and interim filings with applicable securities regulatory authorities.

29. Review disclosures made by the CEO and CFO arising from their certification process for the annual and interim filing with applicable securities regulatory authorities about any significant deficiencies or material weaknesses in the design or operation of internal controls which could adversely affect MCAN's

ability to record, process, summarize and report financial data, and any fraud involving management or other employees who have a significant role in MCAN's internal controls.

30. At least quarterly, discuss with management any legal matters that may have a material impact on the financial statements, operations and assets of MCAN and any material reports or inquiries received by MCAN or any of its subsidiaries from regulators or governmental agencies with respect to financial statements.

Oversight of the Finance Function

31. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Chief Financial Officer.

32. At least annually, review the budget, structure and resources of the Finance function, prior to approval by the Board.

33. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Chief Financial Officer and assess the effectiveness of the Chief Financial Officer and the Finance function and report to the Board thereon.

34. Review the results of periodic independent reviews of the Finance function, including Treasury and Securitization.

35. At least quarterly, meet separately with the Chief Financial Officer to assess the adequacy and effectiveness of the internal control systems and to obtain reasonable assurance that the controls are effective and report to the Board thereon.

Oversight of the Internal Audit Function

36. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Chief Audit Officer.

37. Together with the Conduct Review, Corporate Governance & Human Resources Committee, approve decisions regarding the appointment and removal of the Chief Audit Officer.

38. At least annually, review the independence, budget, structure and resources of the Internal Audit function, prior to approval by the Board.

39. At least annually, review the Internal Audit Charter, prior to approval by the Board.

40. Review the annual internal audit plan, including any significant changes to the audit plan, and, as part of the review, satisfy itself that the audit plan is risk-based and addresses all relevant activities over a measurable cycle, prior to approval by the Board.

41. Review the scope of the audits to be performed by the Internal Audit function and the degree of co-ordination between the plans of the internal and independent auditor.

42. Confirm that outstanding internal control matters as cited by the Office of the Superintendent of Financial Institutions or other regulatory agencies are adequately addressed in the scope of audits on a timely basis.

43. Review the quarterly reports of the Chief Audit Officer on internal audit activities, including audit findings, recommendations and progress in meeting the annual audit plan.

44. Review the results of periodic independent reviews of the Internal Audit function.

45. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Chief Audit Officer and assess the effectiveness of the Chief Audit Officer and the Internal Audit function and report to the Board thereon.

46. At least quarterly, meet separately with the Chief Audit Officer to assess the adequacy and effectiveness of the internal control systems and to obtain reasonable assurance that the controls are effective and report to the Board thereon.

Oversight of the Information Technology ("IT") Function

47. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the mandate of the Vice President, Information Technology.

48. At least annually, review the budget, structure and resources of the IT function prior to approval by the Board.

49. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual performance evaluation of the Vice President, Information Technology and assess the effectiveness of the Vice President, Information Technology and the IT function and report to the Board thereon.

50. Review the results of periodic independent reviews of the IT function.

51. Annually review and recommend to the Board the IT Governance Framework and Information Security Policy at MCAN.

52. Review the development of plans and direction of IT initiatives and the effectiveness of IT solutions and services in meeting stakeholder needs and expectations.

53. Review the processes for identification and mitigation of IT risks, including cyber risk (including how they apply to relations with third-party service providers), and for compliance with all legal and regulatory requirements relative to the security of data and protection of private information.

54. Meet at least quarterly with the Vice President, Information Technology to review practices for managing cyber risk, and reports on data breaches related to cybersecurity and privacy.

Other

55. Annually review and recommend to the Board the Whistleblowing Policy.

56. Establish procedures for the receipt, retention and treatment of complaints received by MCAN regarding accounting, internal accounting controls, or auditing matters, and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and the potential retaliation against employees who raise complaints or concerns as contemplated in the Whistleblowing Policy.

57. Periodically review and recommend to the Board the Allowance Policy.

58. Review quarterly expected credit loss ("ECL") allowances. Approve all new ECL allowances for stage 3 loans in excess of $500,000 and ECL allowance reversals at a threshold of $100,000 per loan.

59. Review and recommend to the Board any banking facilities and other financing facilities as MCAN may, from time to time, require.

60. Review correspondence with Canadian securities regulators and administrators.

61. At the discretion of the Committee, retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.

62. Together with the Conduct Review, Corporate Governance & Human Resources Committee, ensure an annual review of the Committee mandate.

63. Carry out any other appropriate duties and responsibilities as assigned by the Board.

Approved: December 2019