QUARTERLY REPORT 2021 Q3

DESCRIPTION OF BUSINESS

MCAN Mortgage Corporation (the "Company" or "MCAN") is a Loan Company under the *Trust and Loan Companies Act* (Canada) (the "Trust Act") and a Mortgage Investment Corporation ("MIC") under the *Income Tax Act* (Canada) (the "Tax Act"). As a Loan Company under the Trust Act, the Company is subject to the guidelines and regulations set by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). MCAN is a public company listed on the Toronto Stock Exchange under the symbol MKP.

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, including our investment in MCAP Commercial LP ("MCAP"). MCAN's wholly-owned subsidiary, XMC Mortgage Corporation, is an originator of single family residential mortgage products across Canada. 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.

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MESSAGE TO SHAREHOLDERS

MCAN Mortgage Corporation ("MCAN", the "Company" or "we") reported strong net income of $13.0 million ($0.47 earnings per share) for the third quarter of 2021, a decrease from net income of $22.7 million ($0.92 earnings per share) in the third quarter of 2020 primarily due to an expected decrease in equity income from MCAP related to lower mortgage origination and processing fees, including non-recurring new contracts in the prior year. Third quarter 2021 return on average shareholders' equity was 13.22% compared to 28.04% in the prior year. Results for the third quarter of 2021 were positively impacted by growth in our core business compared to the third quarter of 2020.

Year to date, we reported net income of $48.3 million ($1.84 earnings per share), an increase of 132% from net income of $20.8 million ($0.85 earnings per share) for the same period in 2020. Year to date return on average shareholders' equity was 17.40% compared to 8.61% in the prior year. Year to date 2021 results were mainly impacted by fair value gains on our marketable securities compared to fair value losses at the onset of the pandemic and growth in our core business, partly offset by expected decreased equity income from MCAP.

The Board of Directors (the "Board") declared a fourth quarter dividend of $0.34 per share to be paid January 4, 2022 to shareholders of record as of December 15, 2021.

Business Activities

During the third quarter, management was focused on expanding and evolving our capital markets and other funding strategies. Our business growth thus far this year was funded through our DRIP program and a very successful Rights Offering. As part of expanding and maturing our funding activities, we filed a Base Shelf prospectus in August 2021 and in October 2021 we announced the establishment of an at-the-market equity program ("ATM Program"). The Base Shelf prospectus allows us to make public offerings of debt or equity securities of up to $400 million over a 25 month period and the ATM Program, a subset of that $400 million, allows us to raise up to $30 million of equity securities from the public from time to time at prevailing market prices over 2 years, allowing us to raise capital incrementally. Both the Base Shelf prospectus and the ATM Program will give us additional flexibility for diversification and expansion of our funding sources.

During the quarter, we continued to grow our corporate mortgage portfolio in both of our single family and residential construction and commercial businesses. At September 30, 2021, our total corporate mortgage portfolio was $1.7 billion, a 32% increase since the beginning of the year and an 18% increase from June 30, 2021.

We have achieved significant growth in our single family business in the last year with originations increasing 40% compared to the same quarter last year. We have remained dedicated to continuously improving our service for our borrowers and broker community. In fact, we recently won Canadian Mortgage Professional's 5-Star Mortgage Products Award in the Alternative Lending category which we are very proud of. We originated $165 million of uninsured single family mortgages during the quarter compared to $66 million in Q3 2020. In Q3 2021, we originated $202 million of insured single family mortgages compared to $196 million in Q3 2020, originated and sold $56 million of insured single family commitments under a new agreement with MCAP Securities Limited Partnership and securitized $179 million of single family mortgages through the National Housing Act ("NHA") Mortgage-Backed Securities ("MBS") program compared to $218 million in Q3 2020.

Construction and commercial portfolio originations increased 11% totaling $203 million during the quarter compared to $183 million in Q3 2020. We continue to be selective and are pleased with our loan portfolio in terms of product composition and geographic mix. Strong strategic partnerships provide a broad origination pool with known borrowers and terms in line with our risk appetite. Our construction and commercial portfolio is comprised of assets in various stages of development and construction, which we expect will position us for more growth into 2022.

Growth in our mortgage portfolio and securitization activities continues to be driven by our team's commitment and their success in delivering service to the mortgage broker community, leveraging our strategic partner relationships, and capitalizing on the strong housing market. We continue to believe in the strength of the housing market as we look ahead.

Single family mortgages comprised 55% of our total corporate mortgage portfolio at quarter end. That being said, we expect to focus on realigning our portfolio in the future to be more balanced. The credit quality of the portfolios is strong and we are not seeing any increases in distress from borrowers.

Year to date, we have invested $10 million in additional REIT positions and $8 million in non-marketable securities with $23 million in remaining capital commitments. We are focused on non-marketable securities and expect to grow this component of our balance sheet over the mid to long term as they tend to provide higher yields.

We finished the quarter in a strong financial position and for that I thank the entire team at MCAN. Our executive team continues to provide excellent leadership in achieving our business objectives and providing our target returns to shareholders. With growth, customer service and team member development as our foundation, we will continue our dedicated execution of our business for all our partners and customers. We believe in an inclusive, diverse and equal environment and strong support of our community. We call this #MCAN**LIFE**. We look forward to continuing to build MCAN and helping all of our stakeholders achieve their objectives.

Karen Weaver
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

This Management's Discussion and Analysis of Operations ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements and accompanying notes for the quarter and the nine months ended September 30, 2021 and the audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2020. These items and additional information regarding MCAN Mortgage Corporation ("MCAN", the "Company" or "we"), including continuous disclosure materials such as the Annual Information Form are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and our website at www.mcanmortgage.com. Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2020 remain substantially unchanged. Information has been presented as of November 4, 2021.

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A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. All of the forward-looking information in this MD&A 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 MD&A includes, among others, statements and assumptions with respect to:

- the current business environment and outlook;
- the impact of global health pandemics on the Canadian economy and globally, including the continuing impact of COVID-19;
- 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;
- performance of our investments;
- factors affecting our competitive position within the housing markets;
- international trade and geopolitical uncertainties and their impact on the Canadian economy;
- 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;
- government regulation of our business and the cost to us of such regulation, including the anticipated impact of government actions related to COVID-19;
- the economic and social impact, management, duration and potential worsening of the impact of COVID-19 or any other future pandemic;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- 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.

The COVID-19 pandemic has cast particular uncertainty on the Company's internal expectations, estimates, projections, assumptions and beliefs, including with respect to the Canadian economy, employment conditions, interest rates, levels of housing activity and household debt service levels. There can be no assurance that they will continue to be valid. Given the rapid pace of change with respect to the impact of the COVID-19 pandemic, it is premature to make further assumptions about these matters. The duration, extent and severity of the impact the COVID-19 pandemic or any further outbreaks, including measures to prevent its spread and related government actions adopted in response, will have on our business continues to be highly uncertain and difficult to predict at this time.

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, the risks and uncertainties referred to in our Annual Information Form for the year ended December 31, 2020, this MD&A 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 MD&A 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.

SELECTED FINANCIAL INFORMATION

Table 1: Financial Statement Highlights - Quarter

(in thousands except for per share amounts and %) For the Periods Ended	Q3 2021	Q2 2021	Change (%)	Q3 2020	Change (%)	YTD 2021	YTD 2020	Change (%)
Income Statement Highlights								
Mortgage interest - corporate assets	$ 19,072	$ 16,543	15%	$ 16,149	18%	$ 51,387	$ 46,955	9%
Net investment income - corporate assets	$ 18,976	$ 24,390	(22%)	$ 26,963	(30%)	$ 63,571	$ 34,590	84%
Mortgage interest - securitization assets	$ 7,478	$ 7,266	3%	$ 5,504	36%	$ 21,376	$ 15,073	42%
Net investment income - securitization assets	$ 1,443	$ 1,570	(8%)	$ 1,149	26%	$ 4,558	$ 2,339	95%
Net income	$ 12,990	$ 19,378	(33%)	$ 22,741	(43%)	$ 48,292	$ 20,807	132%
Basic and diluted earnings per share	$ 0.47	$ 0.73	(36%)	$ 0.92	(49%)	$ 1.84	$ 0.85	116%
Dividends per share - cash	$ 0.34	$ 0.34	—%	$ 0.34	—%	$ 1.02	$ 1.02	—%
Dividends per share - stock	$ —	$ —	n/a	$ —	n/a	$ 0.85	$ —	n/a
Next quarter's dividend per share - cash	$ 0.34							
Return on average shareholders' equity [1]	13.22 %	21.28 %	(8.06%)	28.04 %	(14.82%)	17.40 %	8.61 %	8.79%
Taxable income per share [1,2]	$ 0.57	$ 0.89	(36%)	$ 0.48	19%	$ 2.31	$ 1.40	65%
Yields								
Spread of corporate mortgages over term deposit interest [1]	2.77 %	2.89 %	(0.12%)	2.63 %	0.14%	2.81 %	2.57 %	0.24%
Spread of securitized mortgages over liabilities [1]	0.65 %	0.72 %	(0.07%)	0.81 %	(0.16%)	0.72 %	0.63 %	0.09%
Average term to maturity (in months)								
Mortgages - corporate	13.9	12.8	9%	13.5	3%			
Term deposits	19.9	19.6	2%	19.2	4%			

	Sept 30 2021	Jun 30 2021	Change (%)	Dec 31 2020	Change (%)
Balance Sheet Highlights					
Total assets	$3,604,261	$3,305,044	9%	$2,728,715	32%
Mortgages - corporate	1,657,168	1,401,290	18%	1,252,762	32%
Mortgages - securitized	1,530,565	1,434,547	7%	1,135,745	35%
Shareholders' equity	394,319	389,302	1%	346,512	14%
Capital Ratios [1]					
Income tax assets to capital ratio	5.50	5.05	9%	5.09	8%
CET 1 & Tier 1 capital ratio [4]	19.45 %	21.91 %	(2.46%)	21.67 %	(2.22%)
Total capital ratio [4]	19.73 %	22.24 %	(2.51%)	22.02 %	(2.29%)
Leverage ratio [3]	8.86 %	9.59 %	(0.73%)	10.17 %	(1.31%)
Credit Quality					
Impaired mortgage ratio (corporate) [1]	0.06 %	0.11 %	(0.05%)	0.30 %	(0.24%)
Impaired mortgage ratio (total) [1]	0.04 %	0.07 %	(0.03%)	0.18 %	(0.14%)
Mortgage Arrears [1]					
Corporate	$ 8,794	$ 8,968	(2%)	$ 24,288	(64%)
Securitized	3,818	7,359	(48%)	5,660	(33%)
Total	$ 12,612	$ 16,327	(23%)	$ 29,948	(58%)
Common Share Information (end of period)					
Number of common shares outstanding	27,646	27,560	—%	24,727	12%
Book value per common share [1]	$ 14.26	$ 14.13	1%	$ 14.01	2%
Common share price - close	$ 18.00	$ 17.29	4%	$ 15.77	14%
Market capitalization [1]	$ 497,628	$ 476,512	4%	$ 389,945	28%

[1] Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.
[2] For further information refer to the "Taxable Income" section of this MD&A.[3] Mortgages securitized through the market MBS program and CMB program for which derecognition has not been achieved are included in regulatory assets in the leverage ratio. For further information, refer to the "Capital Management" section of this MD&A.
[3] Mortgages securitized through the market MBS program and CMB program for which derecognition has not been achieved are included in regulatory assets in the leverage ratio. For further information, refer to the "Capital Management" section of this MD&A.
[4] Effective March 31, 2020, the total capital ratio reflects the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital are included in CET 1 capital. The adjustment to CET 1 capital will be measured each quarter as the increase, if any, in stage 1 and stage 2 allowances compared to the corresponding allowances at December 31, 2019. The increase, if any, is subject to a scaling factor that will decrease over time and is set at 70% in fiscal 2020, 50% in fiscal 2021 and 25% in fiscal 2022. Prior period ratios have not been restated.

HIGHLIGHTS

Q3 2021

- Net income totalled $13.0 million in Q3 2021, a decrease of $9.7 million (43%) from $22.7 million in Q3 2020. Results for the third quarter of 2021 were impacted by an expected decrease in equity income from MCAP related to non-recurring new contracts in the prior year, partially offset by growth in our core business compared to the third quarter of 2020.

- Earnings per share totalled $0.47 in Q3 2021, a decrease of $0.45 (49%) from $0.92 earnings per share in Q3 2020.

- Return on average shareholders' equity[1] was 13.22% for Q3 2021 compared to 28.04% in Q3 2020.

- Net corporate mortgage spread income[1] increased by $2.7 million from Q3 2020. The net corporate mortgage spread income[1] increased due to a higher average corporate mortgage portfolio balance[1] of $1,584 million in Q3 2021 compared to $1,232 million in Q3 2020 and an increase in the spread of corporate mortgages over term deposit interest[1] to 2.77% in Q3 2021 from 2.63% in Q3 2020. The increase in the spread of corporate mortgages over term deposit interest[1] is due to a larger reduction in term deposit rates compared to mortgage rates in 2021. Prior period term deposit rates were impacted by a temporarily higher demand for liquidity by financial institutions at the start of the pandemic resulting in higher term deposit funding costs, but these costs have since decreased as those earlier term deposits mature. The decline in our mortgage rate is due to a portfolio mix with a greater proportion of lower-yield single family to higher-yield construction and commercial loans, and continued market competition which has compressed rates in our single family portfolio.

- Net securitized mortgage spread income[1] increased by $0.6 million from Q3 2020. The net securitized mortgage spread income[1] increased due to a higher average securitized mortgage portfolio balance[1] from significantly higher originations of insured single family mortgages partially offset by a decrease in the spread of securitized mortgages over liabilities[1]. In 2021, we have seen spreads decline on securitizations as a result of a decline in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields have risen significantly over the last nine months.

- Recovery of credit losses on our corporate mortgage portfolio of $0.1 million in Q3 2021 was due to improved economic forecasts as we start making our way out of the pandemic partially offset by growth in our portfolio.

- Equity income from MCAP totalled $5.6 million in Q3 2021, a decrease of $12.4 million (69%) from $18.0 million in Q3 2020, which was primarily due to lower financial instruments gains compared to the prior year and decreased mortgage origination and processing fees from (i) lower mortgage spreads, (ii) higher Government of Canada bond yields, and (iii) non-recurring new contracts in the prior year.

- In Q3 2021, we recorded a $1.0 million net gain on securities compared to a $0.5 million net loss on securities in Q3 2020. Activity in both periods relates to unrealized fair value changes on our real estate investment trust ("REIT") portfolio. We have seen a recovery in the market value of our REIT portfolio this year amid optimism in the economic forecasts, reopenings, and vaccination rates compared to prior year.

Year to Date 2021

- Net income totalled $48.3 million for 2021 year to date, an increase of $27.5 million (132%) from $20.8 million net income in 2020. Year to date 2021 results were impacted by fair value gains on our marketable securities compared to fair value losses at the onset of the pandemic, and growth in our core business partially offset by a decrease in equity income from MCAP.

- Earnings per share totalled $1.84 for 2021 year to date, an increase of $0.99 (116%) from $0.85 earnings per share in 2020.

- Return on average shareholders' equity[1] was 17.40% for 2021 compared to 8.61% in 2020.

- Net corporate mortgage spread income[1] increased by $5.5 million from 2020. The net corporate mortgage spread income[1] increased due to a higher average corporate mortgage portfolio balance[1] of $1,392 million in 2021 from $1,184 million in 2020 and an increase in the spread of corporate mortgages over term deposit interest[1] to 2.81% in 2021 from 2.57% in 2020. The increase in the spread of corporate mortgages over term deposit interest[1] is due to the same factors as mentioned for Q3 2021 above.

- Net securitized mortgage spread income[1] increased by $3.4 million from 2020. The net securitized mortgage spread income[1] increased due to a higher average securitized mortgage portfolio balance[1] from significantly higher originations of insured single family mortgages and an increase in the spread of securitized mortgages over liabilities[1]. The decrease in interest rates at the start of the pandemic led to an increase in the number of early repaid mortgages in Q1 and Q2 2020, causing higher indemnity expenses incurred compared to penalty income received which decreased the spread of securitized mortgages over liabilities[1] during that period.

- Recovery of credit losses on our corporate mortgage portfolio of $0.3 million year to date 2021 was due to improved economic forecasts as we start to make our way out of the pandemic partially offset by growth in our portfolio. For year to date 2020, provision for credit losses of $2.1 million was due to the onset of COVID-19 and continued uncertainty.

- Equity income from MCAP totalled $19.2 million for 2021 year to date, a decrease of $5.3 million (22%) from $24.5 million in 2020. For 2021 year to date, the decrease is due to the same factors as for Q3 2021 mentioned above, except with partial offsets of (i) higher interest income on securitized mortgages as a result of an increase in that portfolio and higher spreads being earned on that portfolio, and (ii) economic hedge gains recorded this year versus losses recorded in the prior year.

- Year to date net gain on securities was $11.4 million for 2021 compared to a year to date net loss on securities of $14.8 million for 2020. Activity in both years relates to unrealized fair value changes on our REIT portfolio, with both years experiencing volatility due to COVID-19. The recovery this year comes amid optimism in economic forecasts, reopenings and higher vaccination rates.

Business Activity and Balance Sheet

- Corporate assets totalled $2.02 billion at September 30, 2021, an increase of $203 million (11%) from June 30, 2021 and an increase of $463 million (30%) from December 31, 2020.

- Corporate mortgage portfolio totalled $1.7 billion at September 30, 2021, a net increase of $256 million (18%) from June 30, 2021 and a net increase of $404 million (32%) from December 31, 2020.

- Uninsured single family portfolio totalled $714 million at September 30, 2021, a net increase of $97 million (16%) from June 30, 2021 and a net increase of $230 million (48%) from December 31, 2020.

- Uninsured single family originations were $165 million in Q3 2021, an increase of $17 million (12%) from Q2 2021 and an increase of $98 million (147%) from Q3 2020.

- Insured single family originations were $202 million in Q3 2021, an increase of $46 million (29%) from Q2 2021 and an increase of $6 million (3%) from Q3 2020. In addition, we originated and sold $56 million of insured single family commitments in Q3 2021 under a new agreement with MCAP Securities Limited Partnership, a wholly owned subsidiary of MCAP.

- Securitization volumes were $179 million in Q3 2021, an increase of $5 million (3%) from Q2 2021 and a decrease of $39 million (18%) from Q3 2020. Securitization volumes consisted entirely of insured single family mortgages.

- Construction and commercial portfolios totalled $740 million at September 30, 2021, a net increase of $128 million (21%) from June 30, 2021 and a net increase of $193 million (35%) from December 31, 2020.

Dividend

- The Board declared a fourth quarter cash dividend of $0.34 per share to be paid January 4, 2022 to shareholders of record as of December 15, 2021.

Credit Quality

- Impaired corporate mortgage ratio[1] was 0.06% at September 30, 2021 compared to 0.11% at June 30, 2021 and 0.30% at December 31, 2020.

- Impaired total mortgage ratio[1] was 0.04% at September 30, 2021 compared to 0.07% at June 30, 2021 and 0.18% at December 31, 2020.

- Arrears total mortgage ratio[1] was 0.40% at September 30, 2021 compared to 0.58% at June 30, 2021 and 1.25% at December 31, 2020.

- Net write-offs were $36,000 (0.9 basis points of the average corporate portfolio) in Q3 2021 compared to $83,000 (2.7 basis points) in Q3 2020.

- Average loan to value ratio ("LTV") of our uninsured single family portfolio based on an industry index of current real estate values was 59.3% at September 30, 2021 compared to 58.0% at June 30, 2021 and 60.6% at December 31, 2020.

Capital

- In order to add to our existing funding sources, on August 20, 2021, we filed a Base Shelf prospectus allowing us to make public offerings of up to $400 million of debt or equity securities during the 25 month period that it is effective, through Prospectus Supplements. On October 6, 2021, we filed a Prospectus Supplement establishing an at-the-market equity program ("ATM Program") to issue up to $30 million of common shares to the public from time to time over a 2 year period at the market prices prevailing at the time of sales. The volume and timing of distributions under the ATM Program will be determined at our sole discretion and will allow us to raise capital incrementally as we grow. As of November 4, 2021, there has been no public offerings under these capital raising initiatives.

- We issued $1.4 million in new common shares through the Dividend Reinvestment Plan ("DRIP") in Q3 2021 compared to $1.4 million in Q3 2020. The DRIP participation rate was 17% for the 2021 third quarter dividend (2020 third quarter dividend - 17%).

- We manage our capital and asset balances based on the regulations and limits of both the *Income Tax Act* (Canada) (the "Tax Act") and OSFI.

- Income tax assets to capital ratio[1] was 5.50 at September 30, 2021 compared to 5.05 at June 30, 2021 and 5.09 at December 31, 2020.

- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[1,2] were 19.45% at September 30, 2021 compared to 21.91% at June 30, 2021 and 21.67% at December 31, 2020. Total Capital to risk-weighted assets ratio[1,2] was 19.73% at September 30, 2021 compared to 22.24% at June 30, 2021 and 22.02% at December 31, 2020.

- Leverage ratio[1] was 8.86% at September 30, 2021 compared to 9.59% at June 30, 2021 and 10.17% at December 31, 2020.

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*
[2] *Effective March 31, 2020, the total capital ratio reflects the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital are included in CET 1 capital. The adjustment to CET 1 capital will be measured each quarter as the increase, if any, in stage 1 and stage 2 allowances compared to the corresponding allowances at December 31, 2019. The increase, if any, is subject to a scaling factor that will decrease over time and is set at 70% in fiscal 2020, 50% in fiscal 2021 and 25% in fiscal 2022.*

OUTLOOK

Economic Outlook

The Delta variant of COVID-19 has created some uncertainty on the road to recovery from the pandemic. That said, Canada now boasts some of the highest vaccination rates in the world, allowing provincial governments to ease restrictions, reopen schools and increase capacity in the hardest-hit service sector. International borders continue to have restrictions, but look to be fully reopen in November. We believe that eased restrictions will allow Canadians to spend more from the savings they have accumulated during the pandemic to help further stimulate the economy. We expect that the introduction of proof of vaccination passports in some provinces and the continued rise in vaccination rates should all aid the economic recovery into 2022.

Canadian governments at all levels, as well as the Bank of Canada, continue to provide support measures, though on a more targeted basis, effective late October. Inflation has been of concern lately, but the Bank of Canada continues to see the recent rise in inflation as transitory. The Bank of Canada's overnight rate of 0.25% is expected to remain steady until mid to late 2022 with some economists predicting multiple increases. Canada's GDP growth declined in Q2 2021 through the third wave of the virus as the introduction of new lockdown measures in various parts of the country took place. It is expected to rebound, however, not as quickly as initially anticipated earlier in the year. It should also be noted that the Canadian household savings rate and net worth have increased significantly since COVID-19 began due to living and travel expenses falling as a result of lockdown measures, credit deferrals extended by lenders, government stimulus, asset price appreciation and many households not being affected by job losses. Given inflationary pressures and slower GDP growth than expected, Canada's economic and employment future is still uncertain.

Housing Market Outlook

Notwithstanding somewhat subdued housing resale activity during the last few months due mainly to a lack of supply and when compared to prior period peaks, housing has been, and continues to be, a hot spot for the Canadian economy, with home prices continuing to increase significantly. Clearly low interest rates and remote working have been catalysts. We expect remote working to continue to lead buyers to explore other markets outside of city centres, which has driven up the prices of houses in these communities as well. We expect the ongoing housing supply shortage to continue increasing national average home prices for at least the balance of the year, particularly in and around certain markets like Toronto and Vancouver. Demand should continue to be strong given the economic outlook, continued low interest rates and household savings that increased during the pandemic. Lack of supply of housing was an issue pre-pandemic and isn't likely to be resolved in the short-term, as there are multiple factors to consider in increasing supply (i.e. local/municipal government processes, skilled labour shortages, increased construction costs, etc.) that limit how many homes can be built in the short term. That said, both RBC and CMHC are predicting housing starts over the next two years to be higher than long-term averages, but in our view likely not enough to unwind the tight market conditions.

Housing affordability (including housing supply) has become an even more critical issue and improving it for Canadians is a common policy amongst all the major federal political parties. The federal government has proposed its "A Home for Everyone" plan that attempts to address both demand and supply of housing. These policies will have an impact on the housing market, however, will take time to have an effect, which means that once these policies are implemented, they may have the effect of stoking demand further, creating additional pressure on the housing market in the short term.

Business Outlook

We conduct our business based on our expectations of the market, economic outlook, demand for housing, asset quality and financial health of the Canadian economy. We continue to be focused on managing all our business activities in the context of the current economic, business and daily living environment in Canada and our risk appetite. Since we are a real estate lender and investor, we have a focus on the real estate market and the state of the housing market in particular. With current economic forecasts and a housing market that remains tight, we believe that our business is well structured with its focus on real estate. Our business will remain nimble in dealing with any market changes or opportunities that may arise in the short term, particularly as and if we see the new housing policies implemented by the federal government. One key theme in our business over the coming year is that we will look to rebalancing our portfolios and pivot to using our capital for higher-yielding products, like construction and commercial lending and non-marketable securities.

We believe that our strategy will continue to serve us well through the reminder of the year and into 2022. We believe that we are a prudent and disciplined lender and investor and that we have strong relationships with our brokers and strategic partners.

Single Family Business

Our risk management, credit monitoring and assessment activities continue to remain critical in operating our business. We are not seeing significant credit deterioration or prolonged financial distress among our borrowers. Originations year to date were 74% higher than the same period last year and we hit a new record of $985 million year to date. We also originated and sold $65 million of insured single family commitments year to date. Various factors affecting the entire industry, such as the lack of housing supply, loan product preferences and potential impacts on mortgage rates from inflationary pressure are impacting volumes in our business in the fourth quarter and is expected to continue into the new year. Through all of the growth that we have achieved in our single family business thus far this year, we have remained dedicated to continuously improving our service for our borrowers and the broker community – as indicated by the recent Canadian Mortgage Professional's 5-Star Mortgage Products Award in the Alternative Lending category that we won. We will continue to invest in new technology and look to add new products that fit within our risk appetite to further enhance our service experience and broaden our offering to our customers. Although gross rates have come up somewhat in the last few months, we continue to believe that competitive market conditions in the single family lending space will remain for at least the balance of the year, thereby causing our overall spreads to remain tight. We will continue to keep abreast of the many changes in the market and in our portfolios that could impact our business or that could create opportunities in line with our risk appetite.

Construction and Commercial Business

While there continues to be some construction site delays, our construction project finance loans are progressing forward to completion and without credit issues. Certain municipal staff inspections and approvals, supply chain challenges, social distancing protocols and workplace safety rules have been the cause of these delays, but with further easing of restrictions, not only in Canada but globally, we expect that these will become less of a constraint. The cost of construction has increased due to recent volatility in the cost of raw materials. All of these factors have, and may continue to have, an impact on the timing of repayments; however, they have not changed the overall expected outcome of project successes or loan performances.

As previously indicated, the Canadian housing market remains strong. We increased our year to date residential construction originations by 60% compared to the same period last year and currently our pipeline remains active. We will of course continue to monitor the Canadian economic landscape as we move through and past the pandemic. With continued high demand for housing and a lack of supply, we expect to continue to see strong pipelines for our construction and commercial business. We will continue to apply our prudent approach to underwriting criteria in line with our risk appetite, with a focus on well-located and affordable residential product, near transit corridors with experienced borrowers where we have existing relationships.

A continued focus of ours is expanding and maturing our capital markets and other funding strategies. In that regard, we filed a Base Shelf prospectus in August 2021 and in October 2021 we announced the establishment of an ATM Program. The Base Shelf prospectus will allow us to make public offerings of debt or equity securities of up to $400 million during the 25 month period that the Base Shelf prospectus is effective. As a subset of the Base Shelf Prospectus, the ATM Program allows us to raise up to $30 million of equity from the public from time to time over a 2 year period at our discretion at the market prices prevailing at the time of sales - allowing us to raise capital incrementally. We view the ATM Program as one element of our long term source of capital. Both the Base Shelf prospectus and the ATM Program give us additional flexibility to raise funds as we grow.

Although there continues to remain uncertainty on our business, results of operations and financial condition as we move forward through the pandemic and onto economic recovery, we are encouraged by the strength of our single family and construction and commercial business, and the recovery in our marketable securities. We continue to invest in non-marketable securities, that are expected to solidly perform. MCAN's management and Board are committed to proactively and effectively managing and evolving the Company's strategy, business activities and team into the future. Our targeted annual growth in corporate assets over the long term is 10%. With the growth that we see in all of our lines of business and continued review of new funding sources, we will be well positioned to support our targeted growth within our risk appetite in the future.

On March 13, 2020, OSFI had instructed all federally regulated financial institutions that cash dividend increases should be halted for the time being. On November 4, 2021, OSFI has lifted these restrictions. The Company has paid out a $0.34 per share cash quarterly dividend to shareholders since the restrictions began. The Board declared a fourth quarter cash dividend of $0.34 per share payable on January 4, 2022 to shareholders of record on December 15, 2021 and will consider its regular cash dividends in 2022 in the context of the lifted restriction. In 2020, MCAN's taxable income per share was greater than its regular cash dividends per share and so it paid a special share dividend of $0.85 per share in March 2021. Similar to 2020, the Company expects to have taxable income per share greater than its regular cash dividends per share and therefore anticipates to distribute a special dividend in the first quarter of 2022.

This Outlook contains forward-looking statements. For further information, please refer to the "A Caution About Forward-Looking Information and Statements" section of this MD&A.

RESULTS OF OPERATIONS

Table 2: Net Income

(in thousands except for per share amounts and %) For the Periods Ended	Q3 2021	Q2 2021	Change (%)	Q3 2020	Change (%)	YTD 2021	YTD 2020	Change (%)
Net Investment Income - Corporate Assets								
Mortgage interest	$ 19,072	$ 16,543	15%	$ 16,149	18%	$ 51,387	$ 46,955	9%
Equity income from MCAP Commercial LP	5,606	6,859	(18%)	17,963	(69%)	19,207	24,540	(22%)
Non-marketable securities	1,549	1,377	12%	1,269	22%	4,309	4,425	(3%)
Marketable securities	938	922	2%	588	60%	2,665	1,762	51%
Fees	506	407	24%	555	(9%)	1,354	1,076	26%
Interest on cash and other income	93	76	22%	108	(14%)	286	507	(44%)
Net gain (loss) on securities	1,016	6,453	(84%)	(517)	297%	11,389	(14,793)	177%
Gain on dilution of investment in MCAP Commercial LP	—	326	(100%)	33	(100%)	326	33	888%
	28,780	**32,963**	**(13%)**	**36,148**	**(20%)**	**90,923**	**64,505**	**41%**
Term deposit interest and expenses	8,013	7,472	7%	7,774	3%	23,041	24,088	(4%)
Mortgage expenses	1,401	1,198	17%	1,130	24%	3,683	3,288	12%
Interest on loans payable	512	214	139%	269	90%	791	484	63%
Other financial expenses	—	125	(100%)	—	n/a	125	—	n/a
Provision for (recovery of) credit losses	(122)	(436)	(72%)	12	(1,117%)	(288)	2,055	(114%)
	9,804	**8,573**	**14%**	**9,185**	**7%**	**27,352**	**29,915**	**(9%)**
	18,976	**24,390**	**(22%)**	**26,963**	**(30%)**	**63,571**	**34,590**	**84%**
Net Investment Income - Securitization Assets								
Mortgage interest	7,478	7,266	3%	5,504	36%	21,376	15,073	42%
Other securitization income	77	46	67%	43	79%	165	483	(66%)
	7,555	**7,312**	**3%**	**5,547**	**36%**	**21,541**	**15,556**	**38%**
Interest on financial liabilities from securitization	5,222	4,913	6%	3,841	36%	14,561	11,666	25%
Mortgage expenses	890	829	7%	558	59%	2,442	1,540	59%
Provision for (recovery of) credit losses	—	—	n/a	(1)	100%	(20)	11	(282%)
	6,112	**5,742**	**6%**	**4,398**	**39%**	**16,983**	**13,217**	**28%**
	1,443	**1,570**	**(8%)**	**1,149**	**26%**	**4,558**	**2,339**	**95%**
Operating Expenses								
Salaries and benefits	4,542	4,924	(8%)	3,517	29%	13,737	10,538	30%
General and administrative	1,946	2,409	(19%)	1,525	28%	6,667	5,030	33%
	6,488	**7,333**	**(12%)**	**5,042**	**29%**	**20,404**	**15,568**	**31%**
Net income before income taxes	13,931	18,627	(25%)	23,070	(40%)	47,725	21,361	123%
Provision for (recovery of) income taxes	941	(751)	225%	329	186%	(567)	554	(202%)
Net Income	**$ 12,990**	**$ 19,378**	**(33%)**	**$ 22,741**	**(43%)**	**$ 48,292**	**$ 20,807**	**132%**
Basic and diluted earnings per share	$ 0.47	$ 0.73	(36%)	$ 0.92	(49%)	$ 1.84	$ 0.85	116%
Dividends per share - cash	$ 0.34	$ 0.34	—%	$ 0.34	—%	$ 1.02	$ 1.02	—%
Dividends per share - stock	$ —	$ —	n/a	$ —	n/a	$ 0.85	$ —	n/a

Net Investment Income - Corporate Assets

Mortgage Interest Income

Table 3: Net Mortgage Interest Income and Average Rate by Mortgage Portfolio - Quarterly

For the Quarters Ended	September 30, 2021			June 30, 2021			September 30, 2020		
(in thousands except %)	Average Balance[2]	Interest Income	Average Rate [1, 2]	Average Balance[2]	Interest Income	Average Rate [1, 2]	Average Balance[2]	Interest Income	Average Rate [1, 2]
Single family mortgages									
Insured	$ 175,746	$ 951	2.20 %	$ 143,402	$ 832	2.33 %	$ 189,505	$ 1,351	2.84 %
Uninsured	660,951	6,576	3.96 %	574,974	6,069	4.22 %	425,881	5,194	4.87 %
Uninsured - completed inventory	35,878	602	6.66 %	40,416	671	6.65 %	38,613	609	6.27 %
Construction loans									
Residential	616,756	9,679	6.22 %	475,700	7,848	6.61 %	533,617	8,392	6.25 %
Non residential	4,810	91	7.48 %	4,601	84	7.33 %	1,613	38	9.24 %
Commercial loans									
Multi family residential	59,299	740	4.94 %	49,675	623	5.03 %	10,089	142	5.58 %
Other	30,094	433	5.70 %	30,479	416	5.47 %	32,336	423	5.19 %
Mortgages - corporate portfolio	$1,583,534	$ 19,072	4.78 %	$1,319,247	$ 16,543	5.02 %	$1,231,654	$ 16,149	5.22 %
Term deposit interest and expenses	1,514,721	8,013	2.01 %	1,308,470	7,472	2.13 %	1,116,772	7,774	2.59 %
Net corporate mortgage spread income[2]		$ 11,059			$ 9,071			$ 8,375	
Spread of mortgages over term deposit interest [2]			2.77 %			2.89 %			2.63 %
Average term to maturity (months)									
Mortgages - corporate	13.9			12.8			13.5		
Term deposits	19.9			19.6			19.2		

Table 4: Net Mortgage Interest Income and Average Rate by Mortgage Portfolio - Year to Date

For the Nine Months Ended September 30	2021			2020		
(in thousands except %)	Average Balance[2]	Interest Income	Average Rate [1, 2]	Average Balance[2]	Interest Income	Average Rate [1, 2]
Single family mortgages						
Insured	$ 166,414	$ 2,799	2.26 %	$ 171,704	$ 3,710	2.89 %
Uninsured	581,709	18,159	4.20 %	404,765	14,599	4.81 %
Uninsured - completed inventory	40,527	1,989	6.56 %	39,687	1,883	6.33 %
Construction loans						
Residential	520,831	25,129	6.45 %	523,309	24,842	6.34 %
Non residential	4,446	248	7.46 %	814	70	11.42 %
Commercial loans						
Multi family residential	47,907	1,800	5.02 %	11,113	546	6.00 %
Other commercial	30,394	1,263	5.55 %	32,346	1,305	4.94 %
Mortgages - corporate portfolio	$ 1,392,228	$ 51,387	4.95 %	$ 1,183,738	$ 46,955	5.28 %
Term deposit interest and expenses	1,353,886	23,041	2.14 %	1,083,676	24,088	2.71 %
Net corporate mortgage spread income[2]		$ 28,346			$ 22,867	
Spread of mortgages over term deposit interest [2]			2.81 %			2.57 %

[1] *Average interest rate is equal to income/expense divided by the average balance on an annualized basis. The average interest rate as presented may not necessarily be equal to "Income/Expense" divided by "Average Balance", as non-recurring items such as prior period adjustments are excluded from the calculation of the average interest rate as applicable. Income/expense incorporates items such as penalty income, commitment fee income, origination expense and commission expense.*
[2] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*

Table 5: Mortgage Originations

(in thousands except %) For the Periods Ended	Q3 2021	Q2 2021	Change (%)	Q3 2020	Change (%)	YTD 2021	YTD 2020	Change (%)
Originations								
Single family - insured	$ 202,357	$ 156,553	29%	$ 196,161	3%	$ 568,774	$ 397,884	43%
Single family - uninsured	164,500	147,267	12%	66,481	147%	416,584	169,687	146%
Single family - uninsured completed inventory [1]	6,247	20,377	(69%)	27,108	(77%)	27,228	46,329	(41%)
Residential construction [1]	186,275	245,128	(24%)	181,827	2%	531,375	352,799	51%
Non-residential construction [1]	205	222	(8%)	1,004	(80%)	1,546	2,057	(25%)
Commercial [1]	16,200	510	3,076%	—	n/a	36,310	75	48,313%
	$ 575,784	**$ 570,057**	**1%**	**$ 472,581**	**22%**	**$1,581,817**	**$ 968,831**	**63%**
Renewals of securitized mortgages [2]								
Single family - insured	$ 13,876	$ 3,097	348%	$ 46,914	(70%)	$ 21,155	$ 110,222	(81%)

[1] Construction, commercial and completed inventory originations represent all advances on loans.
[2] Represents mortgages previously derecognized or held in the securitized portfolio that have been renewed into the corporate mortgage portfolio.

Overview

Balancing of the risk profile of the mortgages on our balance sheet continues to be a focus of the Company. The lower interest rate environment impacted both mortgages and term deposits. For Q3 2021 and year to date 2021, the increase in the spread of mortgages over term deposit interest[1] from Q3 2020 and year to date 2020 was due to a larger decrease in term deposit rates and expenses compared to mortgages, partly offset by a portfolio mix with a greater proportion of lower-yield single family to higher-yield construction and commercial loans and continued market competition which compressed rates in the singe family space. The average balance of term deposits has generally increased commensurate with the increase in the corporate mortgage portfolio. As we move forward, we will look to rebalancing our portfolios to higher-yielding products.

Single Family

We continue to focus on growing our single family originations in our corporate and securitized mortgage portfolio and accordingly our total volumes in Q3 2021 and year to date 2021 increased significantly from the prior year. This increase was a result of a buoyant housing market propelled by a very low interest rate environment and remote working, our enhanced internal sales and marketing capabilities, strengthened relationships with the broker community and an increased underwriting capacity. We will continue to invest in new technology and look to add new products that fit within our risk appetite to further enhance our service experience and broaden our offering to our customers.

In Q2 2021, we entered into an agreement with MCAP Securities Limited Partnership, a wholly owned subsidiary of MCAP, whereby we can sell to MCAP Securities Limited Partnership insured single family mortgage commitments. We originated and sold $56 million in commitments in Q3 2021 and $65 million year to date 2021 under this agreement.

We continue to grow our insured single family originations to allow us to securitize opportunistically through the CMHC *National Housing Act* ("NHA") Mortgage-Backed Securities ("MBS") program. The continued increase in insured single family originations in 2021 supported year to date single family securitization volumes of $582 million compared to $453 million year to date 2020. Renewals of securitized mortgages fluctuate each period depending on the maturities in the securitization portfolio.

Single family mortgages provide comparatively lower yields given their risk profile. For the quarter and year to date, higher average balances in the uninsured single family portfolio contributed to a higher corporate mortgage interest compared to the prior year and Q2 2021. We continue to take a prudent underwriting approach. We opportunistically invest in our single family uninsured completed inventory portfolio which often migrate from our own construction book.

We worked with our borrowers on a case-by-case basis to provide effective alternatives that helped them manage the challenges they were facing due to COVID-19. We implemented appropriate measures to support borrowers which included increased amortizations and other payment arrangements. We are not seeing significant credit deterioration or prolonged financial distress among these borrowers. We continue to be prudent in our approach to income confirmation and assessing creditworthiness over the long term.

Construction and Commercial

During Q3 2021, we continued to focus on originations in our residential construction portfolio in selected markets, with our preferred borrowers and risk profile. We have seen an increase in originations in 2021 compared to 2020.

Some projects have experienced construction delays and cost overruns due to certain restrictions and supply chain issues as a result of COVID-19, which has led to some loan extension requests. To date, sites with the appropriate permits in place continue to progress toward completion. Our prudent underwriting approach requires satisfactory borrower liquidity, guarantor net worth and presale requirements as applicable to the respective markets that can help mitigate these impacts.

Construction and commercial loans provide comparatively higher yields given their risk profile. Higher average balances for the quarter and higher average rates for the year contributed to a higher corporate mortgage interest compared to prior periods. Over the course of 2021, we have seen a higher mix of land development versus other residential construction loans contributing to the higher average rate for the year.

Mortgage Renewal Rights

Through our XMC Mortgage Corporation ("XMC") origination platform, we retain the renewal rights to internally originated single family mortgages that are held as corporate or securitized mortgages or have been sold to third parties and derecognized from the interim consolidated balance sheet. At maturity, we have the right to renew these mortgages, which we believe will contribute to future income. At September 30, 2021, we had the renewal rights to $2.3 billion of single family mortgages (June 30, 2021 - $2.1 billion; December 31, 2020 - $1.7 billion).

[1] Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.

Equity Income from MCAP

In Q3 2021, MCAP's origination volumes were $9.5 billion, an increase from $5.3 billion in Q3 2020. At August 31, 2021 (we account for MCAP on a one-month lag basis), MCAP had $143.6 billion of assets under management compared to $113.5 billion at May 31, 2021 and $109.0 billion at August 31, 2020. Impacting assets under management was the acquisition of Paradigm Quest Inc. which closed in Q3 2021. Equity income from MCAP totalled $5.6 million in Q3 2021, a decrease of $12.4 million from $18.0 million in Q3 2020. For Q3 2021, the decrease in equity income from MCAP was due to lower financial instruments gains compared to the prior year and decreased mortgage origination and processing fees from (i) lower mortgage spreads, (ii) higher Government of Canada bond yields, and (iii) non-recurring new contracts in the prior year. For year to date 2021, equity income from MCAP totalled $19.2 million, a decrease of $5.3 million from $24.5 million year to date 2020. For the year to date, the decrease in equity income from MCAP was due to the same factors as for Q3 2021 mentioned above, except with partial offsets of (i) higher interest income on securitized mortgages as a result of an increase in that portfolio and higher spreads being earned on that portfolio, and (ii) economic hedge gains recorded this year versus losses recorded in the prior year. With respect to MCAP's hedging activities, financial instrument gains and losses on funded mortgages are designed to be roughly offset by corresponding losses and gains related to the fair value of the mortgages; however, the timing of these offsets may lag.

For further information on our equity investment in MCAP, refer to the "Equity Investment in MCAP" sub-section of the "Financial Position" section of this MD&A.

Non-Marketable Securities

KingSett High Yield Fund ("KSHYF"): We received distribution income of $1.3 million in Q3 2021 (Q3 2020 - $1.0 million) and $3.6 million year to date 2021 (year to date 2020 - $3.4 million).

MCAP RMBS Issuer Corporation Class A securitization notes (the "Securitization Notes"): We received principal and interest of $2.3 million in Q3 2021 (Q3 2020 - $2.2 million) and $4.6 million year to date 2021 (year to date 2020 - $4.9 million).

For further information, refer to the "Other Corporate Assets" section of this MD&A.

Marketable Securities

Marketable securities income consists primarily of distributions from the REIT portfolio. The yield on this portfolio was 5.20% in Q3 2021 (Q3 2020 - 6.75%) and 5.56% year to date 2021 (year to date 2020 - 6.41%). The lower yield is due to the significant increases in market value since December 2020, after significant declines from the onset of the pandemic. The yield has been calculated based on the average portfolio carrying value.

Fees

Fee income can vary between quarters given the fact that certain fees such as loan amendment and extension fees do not occur on a routine basis.

Net Gain (Loss) on Securities

In Q3 2021, we recorded a $1.0 million net gain on securities compared to a $0.5 million net loss on securities in Q3 2020. Our year to date net gain on securities was $11.4 million for 2021 compared to a year to date net loss on securities of $14.8 million for 2020. We continue to see some volatility in the market value of our REIT portfolio due to COVID-19 with 2021 posting a significant rebound amid optimism around the impending economic outlook.

Gain on Dilution of Investment in MCAP

In 2021, MCAP issued additional class B units to employees of MCAP which decreased our equity interest. As a result of the issuance of new units at prices in excess of the per-unit carrying value of the investment, we recorded a dilution gain of $326,000 (2020 - $33,000).

Term Deposit Interest and Expenses

The increase in term deposit interest and expenses for the quarter compared to prior periods was due to a higher average term deposit balance[2] partially offset by a lower average term deposit rate[2]. The reduction in term deposit interest and expenses for year to date compared to the prior year was due to a decrease in the average term deposit rate[2] partially offset by a higher average term deposit balance[2]. At the start of the pandemic, term deposit rates were impacted by a temporarily higher demand for liquidity by financial institutions resulting in higher term deposit funding costs for both Q3 2020 and year to date 2020. Term deposit rates have continued to decline since then and as the higher rate term deposits mature, the average term deposit rate[2] of the outstanding average term deposit balance[2] has declined. Term deposit expenses include costs related to insurance, operating infrastructure and administration.

Net Investment Income - Securitization Assets

Net investment income from securitization assets relates to our participation in the market MBS program and the Canada Housing Trust ("CHT") Canada Mortgage Bonds ("CMB") program. Our total new securitization volumes were $179 million in Q3 2021 (Q3 2020 - $218 million) and $582 million year to date 2021 (year to date 2020 - $488 million), of which $nil were insured multi family loans in Q3 2021 (Q3 2020 - $nil) and $nil year to date 2021 (year to date 2020 - $35 million) that were derecognized from the consolidated balance sheet at the time of securitization. The low interest rate environment and higher insured single family originations have generated a high volume of securitizations. The decrease compared to the prior year was due to sales of insured single family commitments to MCAP.

Table 6: Net Mortgage Interest Income and Average Rate for Securitized Mortgage Portfolio - Quarterly

For the Quarters Ended	September 30, 2021			June 30, 2021			September 30, 2020		
(in thousands except %)	Average Balance[2]	Interest Income	Average Rate [1, 2]	Average Balance[2]	Interest Income	Average Rate [1, 2]	Average Balance[2]	Interest Income	Average Rate [1, 2]
Mortgages - securitized portfolio	$1,447,718	$ 7,478	2.07 %	$1,365,786	$ 7,266	2.14 %	$ 847,399	$ 5,504	2.61 %
Financial liabilities from securitization	1,468,811	5,222	1.42 %	1,380,827	4,913	1.42 %	859,683	3,841	1.80 %
Net securitized mortgage spread income [2]		$ 2,256			$ 2,353			$ 1,663	
Spread of mortgages over liabilities [2]			0.65 %			0.72 %			0.81 %

Table 7: Net Mortgage Interest Income and Average Rate for Securitized Mortgage Portfolio - Year to Date

For the Nine Months Ended September 30	2021			2020		
(in thousands except %)	Average Balance[2]	Interest Income	Average Rate [1, 2]	Average Balance[2]	Interest Income	Average Rate [1, 2]
Mortgages - securitized portfolio	$ 1,341,688	$ 21,376	2.15 %	$ 779,838	$ 15,073	2.59 %
Financial liabilities from securitization	1,356,499	14,561	1.43 %	797,888	11,666	1.96 %
Net securitized mortgage spread income [2]		$ 6,815			$ 3,407	
Spread of mortgages over liabilities [2]			0.72 %			0.63 %

[1] *Average interest rate is equal to income/expense divided by the average balance on an annualized basis. The average interest rate as presented may not necessarily be equal to "Income/Expense" divided by "Average Balance", as non-recurring items such as prior period adjustments are excluded from the calculation of the average interest rate, as applicable. Income/expense incorporates items such as penalty income and indemnity expense.*

[2] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*

As a result of a decline in rates during 2020, there was an increase in the number of early repaid mortgages. This impacted the net securitized mortgage spread income[2] and spread of mortgages over liabilities[2] during late Q1 2020 and into Q2 2020 due to indemnity expenses on early repaid mortgages that were higher than penalty income received. Since Q2 2020, the number of early repaid mortgages has declined and the spread of mortgages over liabilities[2] has widened accordingly. In 2021, we have seen spreads decline on securitizations as a result of a decline in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields have risen significantly over the last nine months.

Provision for (Recovery of) Credit Losses

Table 8: Provision for (Recovery of) Credit Losses and Write-offs

(in thousands except basis points and %) For the Periods Ended	Q3 2021	Q2 2021	Change (%)	Q3 2020	Change (%)	YTD 2021	YTD 2020	Change (%)
Provision for (recovery of) impaired corporate mortgages								
Single family mortgages uninsured	$ 22	$ (34)	165%	$ 44	(50%)	$ (73)	$ 49	(249%)
	22	(34)	165%	44	(50%)	(73)	49	(249%)
Provision for (recovery of) performing corporate mortgages								
Single family mortgages insured	—	(1)	100%	—	n/a	(3)	2	(250%)
Single family mortgages uninsured	(343)	(199)	(72%)	(401)	14%	(239)	877	(127%)
Single family mortgages uninsured - completed inventory	(149)	(44)	(239%)	(140)	(6%)	(394)	477	(183%)
Construction loans	351	(17)	2,165%	368	(5%)	404	489	(17%)
Commercial loans								
Multi family residential	13	(104)	113%	(21)	162%	137	(2)	6,950%
Other commercial	(17)	(37)	54%	150	(111%)	(121)	159	(176%)
	(145)	(402)	64%	(44)	(230%)	(216)	2,002	(111%)
Other provisions (recoveries)	1	—	n/a	12	(92%)	1	4	(75%)
Total corporate provision for (recovery of) credit losses	(122)	(436)	72%	12	(1,117%)	(288)	2,055	(114%)
Provision for (recovery of) performing securitized mortgages	—	—	n/a	(1)	100%	(20)	11	(282%)
Total provision for (recovery of) credit losses	$ (122)	$ (436)	72%	$ 11	(1,209%)	$ (308)	$ 2,066	(115%)
Corporate mortgage portfolio data:								
Provision for (recovery of) credit losses, net	$ (123)	$ (436)	72%	$ —	n/a	$ (289)	$ 2,051	(114%)
Net write offs	$ 36	$ —	n/a	$ 83	(57%)	$ 37	$ 152	(76%)
Net write offs (basis points)	0.9	—	n/a	2.7	(67%)	0.3	1.9	(84%)

Provisions are based on a statistical modelling methodology incorporating both internal portfolio characteristics and forward-looking macroeconomic information. Loans are segmented into homogenous risk bands based on internal risk characteristics including (but not limited to) credit scores, delinquency history, loan type and location. Historical regression methodology is used to relate expected credit loss ("ECL") to key macroeconomic indicators including house price indices, unemployment rates, interest rates and gross domestic product. Economic forecasts of these variables are then used to produce forward-looking estimates of ECL under multiple scenarios. Scenarios are probability weighted by management to obtain an aggregated forward looking view. Additionally, we may incorporate management judgment, where appropriate, in the calculation of provisions. Accordingly, provisions are expected to vary between periods.

We had a recovery of credit losses on our corporate mortgage portfolio of $122,000 in Q3 2021 compared to a provision for credit losses of $12,000 in Q3 2020 and a recovery of credit losses on our corporate mortgage portfolio of $288,000 year to date 2021 compared to a provision for credit losses of $2.1 million year to date 2020. The recoveries are due to improved economic forecasts stemming from higher vaccination rates and reopenings, partially offset by growth in our portfolio. Key judgments and uncertainties include the speed and shape of economic recovery, the impact of government stimulus and the uncertainties around further variants. These judgments and uncertainties have been made or assessed with reference to the facts, projections and other circumstances at September 30, 2021. IFRS 9, *Financial Instruments* ("IFRS 9") does not permit the use of hindsight in measuring provisions for credit losses. Since September 30, 2021, forecasts around the impact of COVID-19 on the economy and the timing of recovery have continued to evolve. Any new forward-looking information subsequent to September 30, 2021, will be reflected in the measurement of provisions for credit losses in future periods, as appropriate. This may add significant variability to provisions for credit losses in future periods.

We continue to monitor our portfolio in arrears on a regular basis to detect specific significant stress or deterioration and note that certain government support programs are still in effect.

All write-offs noted in the table above relate to the uninsured single family mortgage portfolio.

Operating Expenses

Table 9: Operating Expenses

(in thousands except %) For the Periods Ended	Q3 2021	Q2 2021	Change (%)	Q3 2020	Change (%)	YTD 2021	YTD 2020	Change (%)
Salaries and benefits	$ 4,542	$ 4,924	(8%)	$ 3,517	29%	$ 13,737	$ 10,538	30%
General and administrative	1,946	2,409	(19%)	1,525	28%	6,667	5,030	33%
	$ 6,488	**$ 7,333**	**(12%)**	**$ 5,042**	**29%**	**$ 20,404**	**$ 15,568**	**31%**

The increase in salaries and benefits in 2021 is primarily due to additional resources to support our increased growth in single family originations, internal infrastructure and systems initiatives.

The increase in general and administrative expenses in 2021 is primarily due to higher professional fees relating to a number of initiatives including our $50 million senior secured mortgage warehouse facility and preparing and filing our Base Shelf prospectus.

Taxable Income

The table below provides a reconciliation between consolidated net income (loss) for accounting purposes and non-consolidated taxable income. In order to take advantage of the tax benefits of a Mortgage Investment Corporation ("MIC") status, we pay out all of MCAN's non-consolidated taxable income to shareholders through dividends. As a MIC, we are entitled to deduct dividends paid up to 90 days after year end from taxable income. Dividends that are deducted in the calculation of taxable income are not included in the table below.

Taxable income is considered to be a non-IFRS measure. For further details, refer to the "Non-IFRS Measures" section of this MD&A.

Table 10: Taxable Income Reconciliation [1]

(in thousands) For the Periods Ended	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Consolidated net income for accounting purposes	$ 12,990	$ 22,741	$ 48,292	$ 20,807
Adjustments to calculate taxable income:				
Reverse: Equity income from MCAP - accounting purposes	(5,606)	(17,963)	(19,207)	(24,540)
Add: MCAP taxable income	10,985	6,648	46,205	20,097
Reverse: Provision for (recovery of) credit losses [2]	(103)	(41)	(203)	2,015
Add: Amortization of upfront securitization program costs [3]	1,826	1,226	4,952	3,694
Deduct: Securitization program mortgage origination costs [3]	(2,501)	(5,433)	(7,823)	(10,988)
Add: Securitization program premium (discount)	(801)	2,126	(3,503)	3,776
Reverse: Net unrealized loss (gain) on securities [4]	(1,016)	517	(11,389)	14,793
Reverse: Loss (Income) earned in subsidiaries [5]	466	1,533	4,048	4,386
Deduct: Gain on dilution of MCAP [6]	—	(33)	(326)	(33)
Other items	(122)	529	(213)	312
Taxable Income	**$ 16,118**	**$ 11,850**	**$ 60,833**	**$ 34,319**

[1] Taxable income is presented above on a non-consolidated basis for the MIC entity. The current year amounts presented above represent estimates as they are not finalized until the completion of our corporate tax filings.
[2] Provisions on performing mortgages are excluded from the calculation of taxable income; provisions on impaired mortgages are 90% deductible for tax purposes.
[3] Securitization program mortgage origination costs are deductible in full for tax purposes as mortgages are securitized but are capitalized and amortized for accounting purposes. Therefore, amortization is added back in the calculation of taxable income.
[4] Excluded from the calculation of taxable income; only includes net realized gains and losses recognized in the MIC entity.
[5] Represents the component of consolidated income that is earned outside of the MIC entity, therefore excluded in the calculation of taxable income.
[6] Not recognizable in the calculation of taxable income.

The change in taxable income for Q3 2021 and year to date 2021 compared to Q3 2020 and year to date 2020 was primarily due to higher taxable income from MCAP and higher earnings from our core business, net of mark-to-market adjustments on marketable securities and net of MCAP.

FINANCIAL POSITION

Assets

Table 11: Assets

(in thousands except %)	September 30 2021	June 30 2021	Change (%)	December 31 2020	Change (%)
Corporate Assets					
Cash and cash equivalents	$ 123,219	$ 179,666	(31%)	$ 88,929	39%
Marketable securities	70,938	69,922	1%	49,613	43%
Mortgages	1,657,168	1,401,290	18%	1,252,762	32%
Non-marketable securities	60,201	60,192	—%	56,117	7%
Equity investment in MCAP Commercial LP	94,801	93,314	2%	88,263	7%
Deferred tax asset	1,061	2,001	(47%)	407	161%
Other assets	11,931	10,421	14%	20,218	(41%)
	2,019,319	**1,816,806**	**11%**	**1,556,309**	**30%**
Securitization Assets					
Cash held in trust	45,687	45,399	1%	29,610	54%
Mortgages	1,530,565	1,434,547	7%	1,135,745	35%
Other assets	8,690	8,292	5%	7,051	23%
	1,584,942	**1,488,238**	**6%**	**1,172,406**	**35%**
	$ 3,604,261	**$ 3,305,044**	**9%**	**$ 2,728,715**	**32%**

Our corporate asset portfolio increased from June 30, 2021 and December 31, 2020 primarily due to strong origination volumes in the insured and uninsured single family portfolios. We also had strong origination volumes in our commercial and construction portfolio year to date 2021 compared to 2020. Our securitized mortgage portfolio has increased from June 30, 2021 and December 31, 2020 due to the impact of new securitization issuances as a result of higher insured single family originations.

Mortgages - Corporate & Securitized

Corporate Mortgages

Single Family Mortgages

Insured and uninsured

We invest in insured and uninsured residential single family mortgages across Canada primarily focused on first time and move up buyer markets in the greater urban regions in Ontario and to a lesser extent in Alberta and Vancouver. These mortgages are originated by our XMC subsidiary, through its strategic relationships with mortgage brokers, for our own corporate portfolio and for securitization activities. We focus our uninsured mortgage lending to those customers with credit challenges and to those who are self-employed. Uninsured mortgages may not exceed 80% of the value of the real estate securing such loans at the time of funding. For the purposes of this ratio, the value at the time of funding is the lower of the appraised value of the property as determined by a qualified appraiser or purchase price (if applicable). Residential mortgages insured by CMHC or other private insurers may exceed this ratio.

Uninsured - completed inventory loans

Uninsured - completed inventory loans are extended to developers to provide interim mortgage financing on residential units (condominium or freehold) that are completed or close to completion. Qualification criteria for the completed inventory classification include no substantial remaining construction risk, commencement of occupancy permits, potential sale and closing with a purchaser within 3-4 months or units near completion. We invest in this product type opportunistically.

Construction Loans

Residential construction loans are made to developers to finance residential construction projects. These loans generally have a floating interest rate, with a floor rate set at origination and loan terms typically ranging between 24 and 36 months, with extensions requiring additional underwriting and approval. Non-residential construction loans provide construction financing for retail shopping developments, office buildings and industrial developments. Some of our construction portfolio projects have experienced delays as a result of the impact of restrictions on the construction industry due to the pandemic, which has lengthened the time these loans are outstanding. We continue to be prudent and selective in our credit adjudication and we have enhanced our portfolio management given the fluid situation of the pandemic.

In selecting residential construction projects to finance, we focus more on the affordable segments of the housing market, such as first time or first move up buyers, characterized by affordable price points, lower price volatility and steady sales volumes based on continued family formation and migration. This approach aims to mitigate the impact of price volatility and tightened sales activity in the event of market corrections. We focus investments in markets where we have experience and where we, or our originating partners, have local expertise, consisting primarily of major urban markets and their surrounding areas with a preference for proximity to transit. We target experienced developers with a successful track record of project completion and loan repayment and smaller multi-phased projects requiring evidence of pre-sales prior to loan funding. At September 30, 2021, the average outstanding construction loan balance was $8 million (June 30, 2021 - $7 million; December 31, 2020 - $7 million) with a maximum individual loan commitment of $40 million (June 30, 2021 - $40 million; December 31, 2020 - $30 million). We utilize our relationships with strategic partners for loan participation, servicing and workout expertise.

Commercial Loans

Commercial loans include multi family residential loans (e.g. loans secured by apartment buildings), and other commercial loans, which consist of term mortgages (e.g. loans secured by retail or industrial buildings) and higher yielding mortgage loans (e.g. loans that do not meet conventional residential construction loan parameters).

Securitized Mortgages

We are an NHA MBS issuer, which involves the securitization of insured mortgages to create MBS. Securitization assets consist primarily of single family insured mortgages that have been securitized through our internal market MBS program and the CHT CMB program. For further information, refer to Note 9 to the interim consolidated financial statements.

Any mortgages securitized through the market MBS program or CMB program for which derecognition is not achieved remain on the interim consolidated balance sheet as securitized assets and are also included in total exposures in the calculation of our leverage ratio. However, for income tax purposes, all mortgages securitized by MCAN are excluded from income tax assets. For further details on total exposures, regulatory capital and income tax assets and capital, refer to the “Capital Management” and “Non-IFRS Measures” sections of this MD&A.

We securitized $179 million in Q3 2021 (Q3 2020 - $218 million) and $582 million year to date (year to date 2020 - $453 million) of insured single family mortgages through the market MBS program and CMB program.

We securitized $nil in Q3 2021 (Q3 2020 - $nil) and $nil year to date (year to date 2020 - $35 million) of insured multi family mortgages through the CMB program. At the time of the insured multi family securitization, the Company derecognized the mortgages from its balance sheet and recorded a gain on the sale of the mortgages of $nil in Q3 2021 (Q3 2020 - $nil) and $nil year to date (year to date 2020 - $0.2 million).

We may issue market MBS through the NHA MBS program and retain the underlying MBS security for liquidity purposes rather than selling the MBS to a third party. At September 30, 2021, we held $51 million of retained MBS on our balance sheet (December 31, 2020 - $48 million), which is included in the insured single family portfolio in corporate mortgages.

Table 12: Mortgage Summary

(in thousands except %)	September 30 2021	June 30 2021	Change (%)	December 31 2020	Change (%)
Corporate portfolio					
Single family mortgages					
Insured	$ 170,959	$ 138,026	24%	$ 173,373	(1%)
Uninsured	713,513	616,838	16%	483,432	48%
Uninsured - completed inventory	32,475	34,532	(6%)	48,949	(34%)
Construction loans	644,519	532,476	21%	486,632	32%
Commercial loans					
Multi family residential	65,581	49,303	33%	29,839	120%
Other commercial	30,121	30,115	—%	30,537	(1%)
	1,657,168	**1,401,290**	**18%**	**1,252,762**	**32%**
Securitized portfolio	**1,530,565**	**1,434,547**	**7%**	**1,135,745**	**35%**
	$ 3,187,733	**$ 2,835,837**	**12%**	**$ 2,388,507**	**33%**

We continue to be selective and will reposition our loan portfolio in terms of product composition, geographic mix and exposure as required to meet changing market conditions and align to our risk appetite. We have strong strategic partnerships and relationships for origination and we maintain a high quality of underwriting related to our investments in these portfolios. The increase in single family mortgages was a result of a buoyant housing market propelled by a very low interest rate environment and remote working, our enhanced internal sales and marketing capabilities, strengthened relationships with the broker community and an increased underwriting capacity. We continued to focus on originations in our construction and commercial portfolio in selected markets, with our preferred borrowers and risk profile. We have seen an increase in originations in 2021 compared to 2020. Our securitized mortgage portfolio has increased due to the impact of new securitization issuances fuelled by higher insured single family originations.

Figure 1: Total Corporate and Securitized Mortgage Portfolio (in thousands)

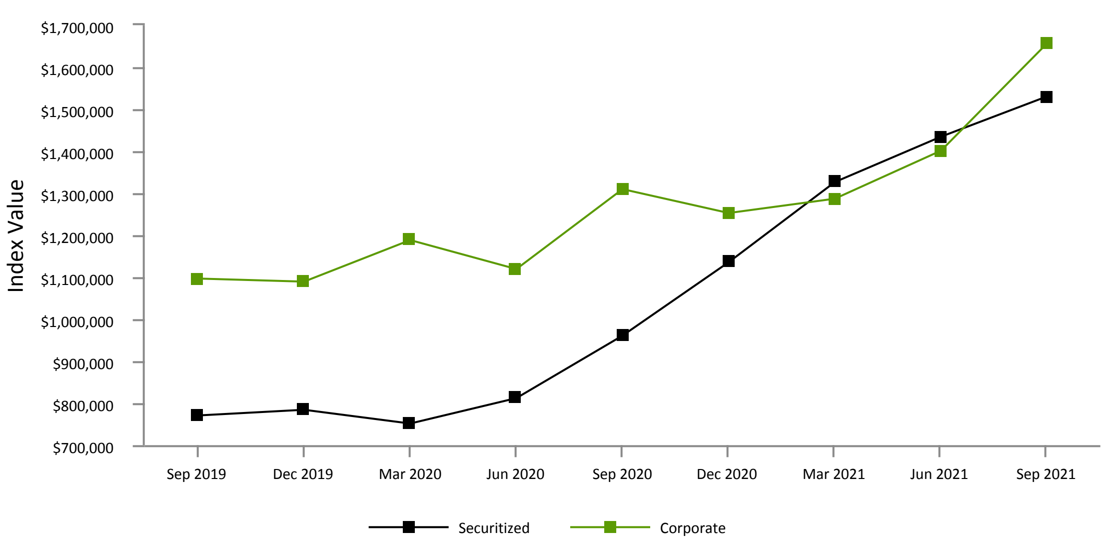
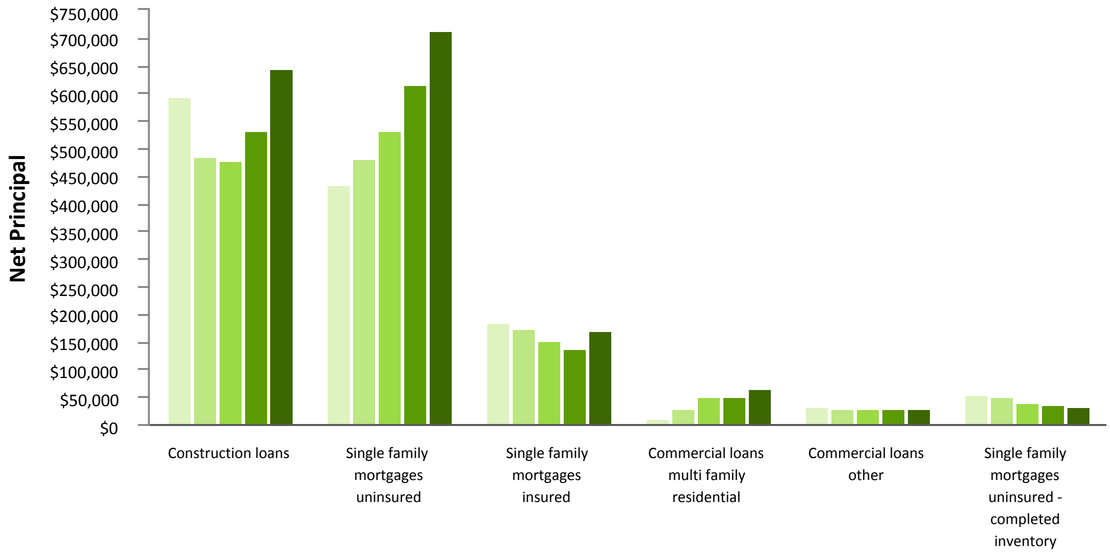


Figure 2: Corporate Mortgage Portfolio Composition by Product Type (in thousands)



	Construction loans	Single family mortgages uninsured	Single family mortgages insured	Commercial loans multi family residential	Commercial loans other	Single family mortgages uninsured - completed inventory
Sep 30, 2020	$592,778 (46%)	$436,417 (33%)	$183,556 (14%)	$10,031 (1%)	$32,216 (2%)	$54,607 (4%)
Dec 31, 2020	$486,632 (39%)	$483,432 (39%)	$173,373 (14%)	$29,839 (2%)	$30,537 (2%)	$48,949 (4%)
Mar 31, 2021	$479,545 (37%)	$533,148 (42%)	$152,858 (12%)	$49,116 (4%)	$30,594 (2%)	$41,629 (3%)
Jun 30, 2021	$532,476 (38%)	$616,838 (44%)	$138,026 (10%)	$49,303 (4%)	$30,115 (2%)	$34,532 (2%)
Sep 30, 2021	$644,519 (39%)	$713,513 (43%)	$170,959 (10%)	$65,581 (4%)	$30,121 (2%)	$32,475 (2%)

Note: Amounts in parentheses represent the percentage of the corporate portfolio represented by the individual product type.

Figure 3: Mortgage Portfolio Geographic Distribution

	September 30, 2021		June 30, 2021		December 31, 2020	
	Corporate	**Securitized**	**Corporate**	**Securitized**	**Corporate**	**Securitized**
Ontario	62.1 %	86.6 %	64.5 %	85.9 %	67.5 %	84.3 %
British Columbia	28.2 %	3.5 %	27.1 %	3.4 %	23.2 %	3.2 %
Alberta	8.1 %	7.0 %	6.9 %	7.5 %	7.5 %	8.4 %
Atlantic Provinces	0.5 %	1.6 %	0.6 %	1.7 %	0.7 %	2.2 %
Quebec	0.7 %	0.7 %	0.5 %	0.8 %	0.6 %	1.0 %
Other	0.4 %	0.6 %	0.4 %	0.7 %	0.5 %	0.9 %
	100.0 %	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Credit Quality

Table 13: Arrears and Impaired Mortgages

(in thousands except %)	September 30 2021	June 30 2021	Change (%)	December 31 2020	Change (%)
Impaired mortgages					
Corporate					
Single family mortgages - insured	$ 600	$ 628	(4%)	$ 1,266	(53%)
Single family mortgages - uninsured	391	853	(54%)	2,505	(84%)
	991	1,481	(33%)	3,771	(74%)
Securitized	365	550	(34%)	472	(23%)
Total impaired mortgages	$ 1,356	$ 2,031	(33%)	$ 4,243	(68%)
Impaired mortgage ratio (corporate) [1]	0.06 %	0.11 %	(0.05%)	0.30 %	(0.24%)
Impaired mortgage ratio (total) [1]	0.04 %	0.07 %	(0.03%)	0.18 %	(0.14%)
Mortgage arrears [1]					
Corporate					
Single family mortgages - insured	$ 689	$ 1,480	(53%)	$ 1,948	(65%)
Single family mortgages - uninsured	8,105	7,488	8%	10,540	(23%)
Construction loans	—	—	n/a	11,800	(100%)
Total corporate mortgage arrears [1]	8,794	8,968	(2%)	24,288	(64%)
Total securitized mortgage arrears [1]	3,818	7,359	(48%)	5,660	(33%)
Total mortgage arrears [1]	$ 12,612	$ 16,327	(23%)	$ 29,948	(58%)
Staging analysis - corporate portfolio					
Stage 2					
Single family mortgages - insured	$ 5,003	$ 5,616	(11%)	$ 8,054	(38%)
Single family mortgages - uninsured	79,614	72,591	10%	68,517	16%
Single family mortgages - uninsured - completed inventory	—	5,267	(100%)	13,290	(100%)
Construction loans	7,840	7,316	7%	20,235	(61%)
Commercial loans - multi-family residential	27,303	27,249	—%	—	n/a
Commercial - other	16,809	16,803	—%	17,200	(2%)
	136,569	134,842	1%	127,296	7%
Stage 3					
Single family mortgages - insured	600	628	(4%)	1,266	(53%)
Single family mortgages - uninsured	391	853	(54%)	2,505	(84%)
	991	1,481	(33%)	3,771	(74%)
Total stage 2 and 3 corporate mortgages	$ 137,560	$ 136,323	1%	$ 131,067	5%
Allowance for credit losses					
Corporate					
Allowance on performing mortgages	$ 5,830	$ 5,975	(2%)	$ 6,047	(4%)
Allowance on impaired mortgages	48	62	(23%)	157	(69%)
	5,878	6,037	(3%)	6,204	(5%)
Securitized - allowance on performing mortgages	4	4	—%	25	(84%)
Total allowance for credit losses	$ 5,882	$ 6,041	(3%)	$ 6,229	(6%)

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*

Arrears and Impaired Mortgage Summary

The majority of single family and securitized arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. We closely monitor and actively manage these arrears.

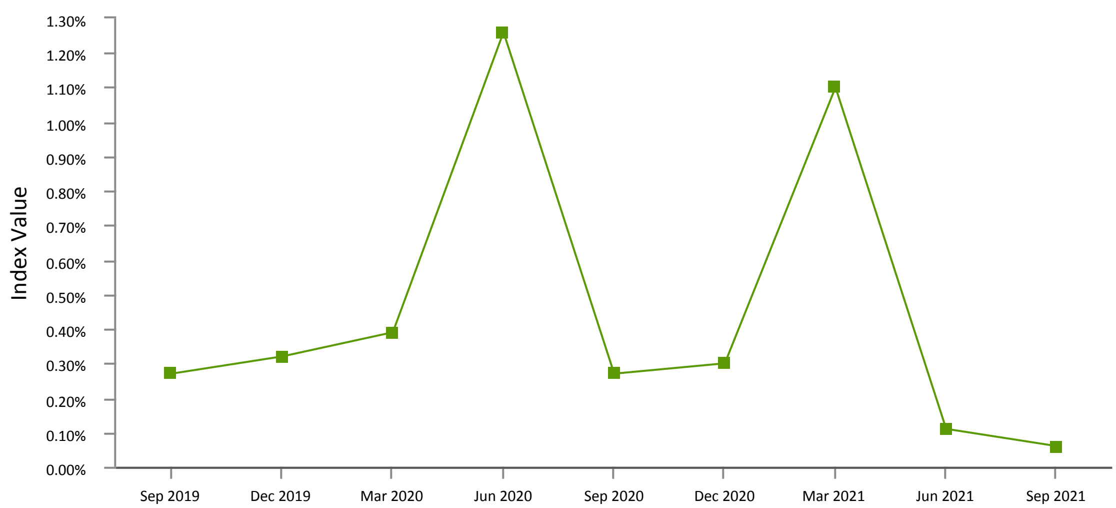
We have historically had low arrears and impaired balances related to our construction and commercial loan portfolios due to our prudent and selective lending methodology and our default management processes in these product types. During the year, we had one impaired construction loan where an asset recovery program was initiated. We collected all past due interest and principal in Q2 2021.

The classification of mortgages into stage 2 and stage 3 involves consideration of additional criteria such as credit score and internal risk rating. Accordingly, stage 2 and stage 3 balances are expected to vary between periods.

Consistent with a government-sponsored initiative and with industry practice, the Company had offered up to a six-month payment deferral program for borrowers in 2020 as a result of COVID-19. Total mortgages previously in our payment deferral program that are now included in total mortgage arrears[1] represent less than 1% of our single family and securitized portfolio on a dollar basis. Of the total mortgage arrears[1], 27% represent mortgages previously in our payment deferral program on a dollar basis, down from 40% at June 30, 2021 and 31% at December 31, 2020. We closely monitor and actively manage these arrears related to our payment deferral program.

We would expect to observe an increase in overall mortgage default and arrears rates in the event of a protracted economic downturn due to COVID-19 as realization periods on collateral become longer and borrowers adjust to the new economic conditions and potentially changing real estate values in such an event. This could also result in an increase in our allowance for credit losses. An economic downturn could include, for example, changes to unemployment rates, income levels and consumer confidence and spending not fully compensated for by government stimulus measures which we would expect would increase single family defaults and arrears. MCAN utilizes a number of risk assessment and mitigation strategies to lessen the potential impact for loss on single family mortgages; however, given the systemic nature of the COVID-19 impacts, traditional actions may not be available or effective.

Figure 4: Impaired Corporate Mortgage Ratio[1]



The impaired corporate mortgage ratio[1], as presented above, reflects impaired (stage 3) mortgages under IFRS 9. At June 30, 2020, we had one impaired construction mortgage where an asset recovery program was initiated and we received full recovery of past due interest and principal in Q3 2020. As previously mentioned, at March 31, 2021, we also had one impaired construction mortgage where an asset recovery program was initiated and we recovered all past due interest and principal in Q2 2021. The impairment of both construction mortgages was not related to COVID-19.

For further information regarding corporate mortgages by risk rating, refer to Note 6 to the interim consolidated financial statements.

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*

Additional Information on Residential Mortgages and Home Equity Lines of Credit ("HELOCs")

In accordance with OSFI Guideline B-20 - *Residential Mortgage Underwriting Practices and Procedures*, additional information is provided on the composition of MCAN's single family mortgage portfolio by insurance status and province, as well as amortization periods and LTV by province. LTV is calculated as the ratio of the outstanding loan balance on an amortized cost basis to the value of the underlying collateral at the time of origination.

Insured mortgages include individual mortgages that are insured by CMHC or other approved mortgage insurers at origination and mortgages that are portfolio-insured after origination. Uninsured mortgages include both single family uninsured and single family uninsured - completed inventory loans.

The HELOC balances displayed below relate to insured single family mortgages that were acquired by MCAN previously. We do not originate HELOCs.

Table 14: Single Family Mortgages by Province at September 30, 2021

(in thousands except %)	Corporate						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
Ontario	$ 127,004	74.4 %	$ 638,679	85.8 %	$ 111	83.5 %	$1,324,001	86.6 %	$ 2,089,795	85.4 %
Alberta	28,046	16.4 %	44,989	6.0 %	22	16.5 %	107,747	7.0 %	180,804	7.4 %
British Columbia	5,120	3.0 %	51,745	6.9 %	—	— %	53,984	3.5 %	110,849	4.5 %
Quebec	4,076	2.4 %	2,575	0.3 %	—	— %	11,130	0.7 %	17,781	0.7 %
Atlantic Provinces	4,816	2.8 %	3,250	0.4 %	—	— %	23,774	1.6 %	31,840	1.3 %
Other	1,764	1.0 %	4,750	0.6 %	—	— %	9,929	0.6 %	16,443	0.7 %
Total	**$ 170,826**	**100.0 %**	**$ 745,988**	**100.0 %**	**$ 133**	**100.0 %**	**$1,530,565**	**100.0 %**	**$ 2,447,512**	**100.0 %**

Table 15: Single Family Mortgages by Province at December 31, 2020

(in thousands except %)	Corporate						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
Ontario	$ 137,757	79.5 %	$ 414,231	77.8 %	$ 67	73.6 %	$ 956,980	84.3 %	$ 1,509,035	81.9 %
Alberta	18,930	10.9 %	54,628	10.3 %	24	26.4 %	95,958	8.4 %	169,540	9.2 %
British Columbia	5,156	3.0 %	51,955	9.8 %	—	— %	36,082	3.2 %	93,193	5.1 %
Quebec	5,069	2.9 %	2,914	0.5 %	—	— %	11,840	1.0 %	19,823	1.1 %
Atlantic Provinces	4,991	2.9 %	3,733	0.7 %	—	— %	25,124	2.2 %	33,848	1.8 %
Other	1,379	0.8 %	4,920	0.9 %	—	— %	9,761	0.9 %	16,060	0.9 %
Total	**$ 173,282**	**100.0 %**	**$ 532,381**	**100.0 %**	**$ 91**	**100.0 %**	**$1,135,745**	**100.0 %**	**$ 1,841,499**	**100.0 %**

Table 16: Single Family Mortgages by Amortization Period at September 30, 2021

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 Years	Total
Corporate	$ 115,204	$ 193,951	$ 432,029	$ 175,763	$ 916,947
	12.5 %	21.2 %	47.1 %	19.2 %	100.0 %
Securitized	$ 275,783	$ 1,233,107	$ 21,675	$ —	$ 1,530,565
	18.0 %	80.6 %	1.4 %	— %	100.0 %
Total	**$ 390,987**	**$ 1,427,058**	**$ 453,704**	**$ 175,763**	**$ 2,447,512**
	16.0 %	**58.3 %**	**18.5 %**	**7.2 %**	**100.0 %**

Table 17: Single Family Mortgages by Amortization Period at December 31, 2020

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 Years	Total
Corporate	$ 116,987	$ 209,702	$ 287,265	$ 91,800	$ 705,754
	16.6 %	29.7 %	40.7 %	13.0 %	100.0 %
Securitized	$ 224,111	$ 881,872	$ 29,762	$ 0	$ 1,135,745
	19.8 %	77.6 %	2.6 %	0.0 %	100.0 %
Total	**$ 341,098**	**$ 1,091,574**	**$ 317,027**	**$ 91,800**	**$ 1,841,499**
	18.5 %	**59.3 %**	**17.2 %**	**5.0 %**	**100.0 %**

Table 18: Average Loan to Value (LTV) Ratio for Uninsured Single Family Mortgage Originations

(in thousands except %) **For the Periods Ended**	**Q3 2021**	**Average LTV**	**Q3 2020**	**Average LTV**	**YTD 2021**	**Average LTV**	**YTD 2020**	**Average LTV**
Ontario	$153,730	70.8%	$ 76,459	71.5%	$398,683	70.2%	$170,582	70.8%
Alberta	6,562	69.1%	928	60.9%	25,948	70.3%	20,588	60.7%
British Columbia	10,078	72.3%	16,202	75.0%	18,532	69.5%	24,736	74.5%
Other	377	76.0%	—	—%	649	73.1%	110	61.8%
	$170,747	**70.8%**	**$ 93,589**	**72.0%**	**$443,812**	**70.2%**	**$216,016**	**70.2%**

Table 19: Average Mortgage Loan to Value (LTV) Ratios at Origination

	September 30 2021	**December 31 2020**
Corporate portfolio		
Single family mortgages		
Insured	72.4 %	78.5 %
Uninsured[1]	68.0 %	68.6 %
Uninsured - completed inventory	65.1 %	62.3 %
Construction loans		
Residential	63.3 %	59.0 %
Non-residential	64.7 %	64.7 %
Commercial loans		
Multi family residential	74.2 %	74.0 %
Other commercial	57.6 %	53.7 %
	66.6 %	65.7 %
Securitized portfolio	82.5 %	82.1 %
	74.1 %	73.5 %

[1] *MCAN's corporate uninsured single family mortgage portfolio (including completed inventory loans) is secured with a weighted average LTV at origination of 67.9% at September 30, 2021 (December 31, 2020 - 68.0%). Based on an industry index that incorporates current real estate values, the ratios would be 59.3% at September 30, 2021 (December 31, 2020 - 60.6%).*

Other Corporate Assets

Cash and Cash Equivalents

At September 30, 2021, our cash balance was $123 million (June 30, 2021 - $180 million; December 31, 2020 - $89 million). As part of liquidity management, we align our liquidity position to our liquidity and funding requirements. In times of uncertainty, we ensure that we take a prudent approach to liquidity management which may result in holding additional liquidity. Cash and cash equivalents, which include cash balances with banks and overnight term deposits, provide liquidity to meet maturing term deposits and new mortgage funding commitments. We actively manage our cash and cash equivalents in the context of our prudent liquidity and cash management practices.

Marketable Securities

Marketable securities, consisting of REITs, provide additional liquidity at yields in excess of cash and cash equivalents. We actively manage our portfolio, as appropriate. At September 30, 2021, the portfolio balance was $71 million (June 30, 2021 - $70 million; December 31, 2020 - $50 million). During 2021, we purchased $10 million of REITs and recorded $11 million of unrealized fair value gains.

Non-Marketable Securities

At September 30, 2021, our non-marketable securities balance was $60 million (June 30, 2021 - $60 million; December 31, 2020 - $56 million). We are seeking further investments and expect to grow this component of our balance sheet over the mid to long term. Our non-marketable securities consist of the following:

KSHYF: We invest in the KSHYF, in which we have a 6.5% equity interest at September 30, 2021 (June 30, 2021 - 6.8%; December 31, 2020 - 6.8%). At September 30, 2021, the carrying value of our investment was $44 million (June 30, 2021 - $44 million; December 31, 2020 - $44 million). The KSHYF invests in mortgages secured by real estate including mezzanine, subordinate and bridge mortgages. At September 30, 2021, our total remaining commitment to the KSHYF was $23 million, consisting of $1 million of capital advances for the KSHYF and $22 million to support credit facilities throughout the life of the KSHYF.

Securitization Notes: During 2019, we invested $18 million in Securitization Notes. At September 30, 2021, the carrying value of the Securitization Notes was $9 million (June 30, 2021 - $11 million; December 31, 2020 - $13 million) which reflects scheduled principal repayments. The issuer of the Securitization Notes is a wholly-owned subsidiary of MCAP. The Securitization Notes may have the right to future fee income from the renewals of a securitized insured mortgage portfolio. The expected final distribution date is no earlier than November 15, 2022.

KingSett Senior Mortgage Fund LP ("KSSMF"): During 2021, we invested $3 million in KSSMF representing a 0.6% partnership interest, with an additional $12 million remaining commitment. KSSMF invests in a diversified portfolio of mortgage loans secured by Canadian residential and commercial real estate.

TAS LP 3 ("TAS"): During 2021, we invested $4 million in TAS representing a 9.7% partnership interest, with an additional $6 million remaining commitment. TAS invests in, and develops, residential and mixed use properties.

TAS LP 3 Co-Invest LP ("TAS Co"): During 2021, we invested $1 million in TAS Co representing a 34.8% partnership interest, with an additional $4 million remaining commitment. TAS Co has a 24% interest in urban residential and mixed use property investments that are being developed under a repositioning plan.

Equity Investment in MCAP

We hold a 13.94% equity interest in MCAP (June 30, 2021 - 13.94%; December 31, 2020 - 14.03%), which represents 4.0 million units held by MCAN at September 30, 2021 (June 30, 2021 - 4.0 million; December 31, 2020 - 4.0 million) of the 28.7 million total outstanding MCAP partnership units (June 30, 2021 - 28.7 million; December 31, 2020 - 28.5 million).

The investment had a net book value of $95 million at September 30, 2021 (June 30, 2021 - $93 million; December 31, 2020 - $88 million). The Limited Partner's At-Risk Amount ("LP ARA")[1], which represents the cost base of the equity investment in MCAP for income tax purposes, was $91 million at September 30, 2021 (June 30, 2021 - $84 million; December 31, 2020 - $60 million). The difference between the net book value and the LP ARA[1] reflects an unrealized gain that, if realized, would be recognized as a capital gain.

During Q3 2021, we received $4.1 million of unitholder distributions from MCAP (Q3 2020 - $1.6 million). For year to date 2021, we have received $13.0 million of unitholder distributions from MCAP (year to date 2020 - $5.3 million) which is reflective of MCAP's higher taxable income. As we account for this investment using the equity method, the receipt of distributions reduces the carrying value of the investment in MCAP.

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.

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*

Other Securitization Assets

Other securitization assets include cash held in trust, which represents securitized mortgage principal and interest collections from borrowers that are payable to MBS holders.

Liabilities and Shareholders' Equity

Table 20: Liabilities and Shareholders' Equity

(in thousands except %)	September 30 2021	June 30 2021	Change (%)	December 31 2020	Change (%)
Corporate Liabilities					
Term deposits	$ 1,606,785	$ 1,413,678	14%	$ 1,234,769	30%
Loans payable	52,800	44,491	19%	—	n/a
Other liabilities	10,914	10,098	8%	4,825	126%
	1,670,499	**1,468,267**	**14%**	**1,239,594**	**35%**
Securitization Liabilities					
Financial liabilities from securitization	1,539,443	1,447,475	6%	1,142,609	35%
	1,539,443	**1,447,475**	**6%**	**1,142,609**	**35%**
	3,209,942	**2,915,742**	**10%**	**2,382,203**	**35%**
Shareholders' Equity					
Share capital	282,396	280,999	—%	234,635	20%
Contributed surplus	510	510	—%	510	—%
Retained earnings	111,413	107,793	3%	111,367	—%
	394,319	**389,302**	**1%**	**346,512**	**14%**
	$ 3,604,261	**$ 3,305,044**	**9%**	**$ 2,728,715**	**32%**

Term Deposits

Our primary source of funding for our corporate operations is the issuance of term deposits that are eligible for Canada Deposit Insurance Corporation ("CDIC") deposit insurance. We source term deposits through a broker distribution network across Canada consisting of third party deposit agents and financial advisors. Deposits cannot be cashed prior to maturity or paid on demand except in the event of the death of a depositor or financial hardship. We believe that our term deposits provide a reliable low-cost funding source that can be strategically matched against the corporate mortgage portfolio. The role of term deposits in managing liquidity and funding risk is discussed in the "Liquidity and Funding Risk" sub-section of the "Risk Management" section of this MD&A.

Financial Liabilities from Securitization

Financial liabilities from securitization relate to our participation in the market MBS and CMB programs, where we have sold MBS to third parties but have not derecognized the related mortgages from our balance sheet. For further information on the market MBS and CMB programs, refer to the "Financial Position" section of this MD&A.

Share Capital

Share capital activity may reflect new common shares issued through the DRIP, Executive Share Purchase Plan and other share offerings and their related costs. For further information, refer to the "Description of Capital Structure" section of this MD&A and Note 12 to the interim consolidated financial statements.

Retained Earnings

Retained earnings activity for Q3 2021 consists of net income of $13.0 million less dividends of $9.4 million. Retained earnings activity for year to date 2021 consists of a net income of $48.3 million less dividends of $48.2 million.

SELECTED QUARTERLY FINANCIAL DATA

Table 21: Selected Quarterly Financial Data

(in thousands except per share amounts, % and where indicated)	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
Income Statement Highlights								
Mortgage interest - corporate assets	$19,072	$16,543	$15,796	$17,115	$16,149	$15,409	$15,397	$14,910
Net investment income (loss) - corporate assets	$18,976	$24,390	$20,205	$25,704	$26,963	$12,649	$(5,022)	$14,839
Mortgage interest - securitization assets	$ 7,478	$ 7,266	$ 6,632	$ 6,461	$ 5,504	$ 4,786	$ 4,783	$ 4,950
Net investment income - securitization assets	$ 1,443	$ 1,570	$ 1,545	$ 1,694	$ 1,149	$ 389	$ 801	$ 1,015
Net income (loss)	$12,990	$19,378	$15,924	$22,086	$22,741	$ 7,796	$(9,730)	$10,550
Basic and diluted earnings (loss) per share	$ 0.47	$ 0.73	$ 0.64	$ 0.89	$ 0.92	$ 0.32	$ (0.40)	$ 0.44
Dividends per share - cash	$ 0.34	$ 0.34	$ 0.34	$ 0.34	$ 0.34	$ 0.34	$ 0.34	$ 0.32
Dividends per share - stock	$ —	$ —	$ 0.85	$ —	$ —	$ —	$ —	$ —
Return on average shareholders' equity [1]	13.22 %	21.28 %	18.15 %	25.92 %	28.04 %	9.96 %	(11.84)%	12.84 %
Taxable income per share [1,2]	$ 0.57	$ 0.89	$ 0.85	$ 1.05	$ 0.48	$ 0.21	$ 0.71	$ 0.46
Spreads								
Spread of corporate mortgages over term deposit interest [1]	2.77 %	2.89 %	2.76 %	2.76 %	2.63 %	2.48 %	2.62 %	2.63 %
Spread of securitized mortgages over liabilities [1]	0.65 %	0.72 %	0.81 %	0.89 %	0.81 %	0.44 %	0.63 %	0.72 %
Average term to maturity (in months)								
Mortgages - corporate	13.9	12.8	13.7	14.2	13.5	12.3	12.2	10.7
Term deposits	19.9	19.6	17.7	18.3	19.2	18.7	17.0	18.4
Balance Sheet Highlights ($ million)								
Total assets	$ 3,604	$ 3,305	$ 2,977	$ 2,729	$ 2,566	$ 2,248	$ 2,212	$ 2,179
Mortgages - corporate	$ 1,657	$ 1,401	$ 1,287	$ 1,253	$ 1,310	$ 1,119	$ 1,188	$ 1,089
Mortgages - securitized	$ 1,531	$ 1,435	$ 1,327	$ 1,136	$ 961	$ 812	$ 752	$ 784
Total liabilities	$ 3,210	$ 2,916	$ 2,620	$ 2,382	$ 2,233	$ 1,931	$ 1,897	$ 1,849
Shareholders' equity	$ 394	$ 389	$ 357	$ 347	$ 333	$ 317	$ 315	$ 330
Capital Ratios								
Income tax assets to capital ratio [1]	5.50	5.05	5.05	5.09	5.44	4.95	5.03	4.93
CET 1 & Tier 1 Capital ratios [1,5]	19.45 %	21.91 %	21.65 %	21.67 %	20.45 %	23.01 %	21.80 %	22.52 %
Total Capital ratio [1,5]	19.73 %	22.24 %	22.02 %	22.02 %	20.80 %	23.40 %	22.17 %	22.52 %
Leverage ratio [3]	8.86 %	9.59 %	9.69 %	10.17 %	10.26 %	11.46 %	11.70 %	12.58 %
Credit Quality								
Impaired mortgage ratio (corporate) [1,4]	0.06 %	0.11 %	1.10 %	0.30 %	0.27 %	1.26 %	0.39 %	0.32 %
Impaired mortgage ratio (total) [1,4]	0.04 %	0.07 %	0.55 %	0.18 %	0.17 %	0.77 %	0.28 %	0.23 %
Mortgage Arrears								
Corporate [1]	$ 8,794	$ 8,968	$26,514	$24,288	$10,229	$36,083	$31,289	$12,161
Securitized [1]	3,818	7,359	4,710	5,660	3,522	4,005	5,016	3,750
Total [1]	$12,612	$16,327	$31,224	$29,948	$13,751	$40,088	$36,305	$15,911
Common Share Information (end of period)								
Number of common shares outstanding	27,646	27,560	26,135	24,727	24,727	24,621	24,420	24,215
Book value of common share [1]	$ 14.26	$ 14.13	$ 13.65	$ 14.01	$ 13.46	$ 12.88	$ 12.90	$ 13.64
Common share price - close	$ 18.00	$ 17.29	$ 16.46	$ 15.77	$ 13.41	$ 12.65	$ 12.18	$ 17.10
Market capitalization ($ million) [1]	$ 498	$ 477	$ 430	$ 390	$ 332	$ 311	$ 297	$ 414

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*
[2] *For further information refer to the "Taxable Income" section of this MD&A.*
[3] *Mortgages securitized through the market MBS program and CMB program for which derecognition has not been achieved are included in regulatory assets in the leverage ratio. For further information, refer to the "Capital Management" section of this MD&A.*
[4] *Effective January 1, 2019, we revised the impaired mortgage ratios to include insured mortgages in the numerator such that the ratios are equal to impaired mortgages divided by portfolio balance. Prior period ratios have been restated.*
[5] *Effective March 31, 2020, the total capital ratio reflects the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital are included in CET 1 capital. The adjustment to CET 1 capital will be measured each quarter as the increase, if any, in stage 1 and stage 2 allowances compared to the corresponding allowances at December 31, 2019. The increase, if any, is subject to a scaling factor that will decrease over time and is set at 70% in fiscal 2020, 50% in fiscal 2021 and 25% in fiscal 2022. Prior period ratios have not been restated.*

Corporate net investment income (loss) has been driven by multiple factors. The main drivers relate to COVID-19 impacts including a lower interest rate environment, volatility in the fair value of our REIT portfolio and an overall increase in our provision for credit losses. Other factors include higher average corporate mortgage portfolio balances and generally higher equity income from MCAP since the second half of 2020.

Since 2019, the corporate portfolio mix has shifted towards single family mortgages mainly due to our objective of balancing the risk profile of our balance sheet and amidst COVID-19 and a competitive market. Term deposit funding and related costs also increased through this period to support corporate asset growth. In Q2 2020, the combination of these factors as well as market disruption experienced in the term deposit market due to COVID-19 contributed to the decrease in the spread of corporate mortgages over term deposit interest[1]. In late 2020, term deposit funding and related costs began to decrease through this period and we saw a gradual increase in the spread of corporate mortgages over term deposit interest[1].

The size of the securitized mortgage portfolio has increased due to increased volume of insured single family mortgage originations. As a result of a decline in interest rates in 2020, there was an increase in the number of early repaid mortgages. This impacted the net securitized mortgage spread income[2] and spread of mortgages over liabilities[2] during late Q1 2020 and into Q2 2020 due to indemnity expenses incurred on early repaid mortgages that were higher than penalty income received. Since Q2 2020, the number of early repaid mortgages has declined and the spread of mortgages over liabilities[2] has widened accordingly. In 2021, we have seen spreads decline on securitizations as a result of a decline in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields have risen significantly over the last nine months. We participate in this market opportunistically.

Capital ratios have remained relatively steady across the previous quarters as our tax-adjusted and risk-weighted assets have generally aligned with our capital base. The downward trend in our leverage ratio is driven by our growing assets, including securitization assets, and commitments compared to a slower moving capital base.

Total arrears and impaired ratios have varied on a quarterly basis given the nature of the 1-30 day arrears. Higher balances in Q2 2020 were due to an impaired construction mortgage where an asset recovery program was initiated and subsequently completed in Q3 2020, recovering fully all past due interest and principal. The increase in arrears in Q4 2020 and into Q1 2021 is mainly due to one construction mortgage where an asset recovery program was initiated. We recovered all past due interest and principal in Q2 2021. The circumstances of both construction mortgages were unrelated to COVID-19.

[1] Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.

CAPITAL MANAGEMENT

Our primary capital management objectives are to maintain sufficient capital for regulatory purposes and to earn acceptable and sustainable risk-weighted returns for our shareholders. Through our risk management and corporate governance framework, we assess current and projected asset growth, economic conditions, housing market activity, the interest rate environment and changes to credit quality to determine appropriate levels of capital. We expect to pay out all of MCAN's non-consolidated taxable income over time through dividends subject to final review and declaration by the Board. Capital growth is achieved through retained earnings, the DRIP, Executive Share Purchase Plan, rights offerings, public share offerings and stock dividends. Our capital management is primarily driven by the guidelines set out by the Tax Act and OSFI.

Income Tax Capital

As a MIC under the Tax Act, we are limited to an income tax liabilities to capital ratio of 5:1 (or an income tax assets to capital ratio of 6:1), based on our non-consolidated balance sheet in the MIC entity measured at its tax value. Securitization assets and liabilities (less accrued interest) are both excluded from the calculation of the income tax assets to capital ratio.

Table 22: Income Tax Capital [1]

(in thousands except ratios)

		September 30 2021		December 31 2020
Income tax assets [1]				
Consolidated assets	$	3,604,261	$	2,728,715
Adjustment for assets in subsidiaries		(29,921)		16,117
Non-consolidated assets in MIC entity		3,574,340		2,744,832
Add: corporate mortgage allowances		5,828		6,061
Less: securitization assets [2]		(1,562,694)		(1,160,073)
Adjustments to equity investments in MCAP and subsidiaries		(28,069)		(55,581)
Other adjustments		(10,698)		2,013
	$	1,978,707	$	1,537,252
Income tax liabilities [1]				
Consolidated liabilities	$	3,209,942	$	2,382,203
Adjustment for liabilities in subsidiaries		(53,160)		(6,183)
Non-consolidated liabilities in MIC entity		3,156,782		2,376,020
Less: securitization liabilities [2]		(1,537,640)		(1,140,991)
	$	1,619,142	$	1,235,029
Income tax capital [1]	$	359,565	$	302,223
Income tax capital ratios [1]				
Income tax assets to capital ratio		5.50		5.09
Income tax liabilities to capital ratio		4.50		4.09

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*
[2] *The majority of securitization assets and liabilities on the balance sheet are excluded from income tax assets, liabilities and capital as they are derecognized for income tax purposes.*

Regulatory Capital

As a Loan Company under the *Trust and Loan Companies Act* (the "Trust Act"), OSFI oversees the adequacy of our capital. For this purpose, OSFI has imposed minimum capital-to-regulatory (or risk-weighted) assets ratios and a minimum leverage ratio which is calculated on a different basis from the income tax assets to capital ratio discussed in the "Income Tax Capital" sub-section above.

Both OSFI and the Basel Committee on Banking Supervision promote a resilient banking sector and strong global capital standards. Key components of Basel III impact MCAN through the Capital Adequacy Requirements and Leverage Requirements Guidelines.

Our CET 1 capital consists of share capital, contributed surplus and retained earnings. We do not hold any additional Tier 1 capital instruments; therefore, our CET 1 capital is equal to our Tier 1 capital. Our Tier 2 capital consists of Stage 1 and Stage 2 mortgage allowances calculated under IFRS, a portion of which is allowed to be included in CET 1 under OSFI transitional arrangements issued March 27, 2020. Total Capital equals CET 1 or Tier 1 capital plus Tier 2 capital. OSFI expects all federally regulated financial institutions to meet the minimum capital to risk-weighted asset ratios of 7% CET 1 Capital, 8.5% Tier 1 Capital and 10.5% Total Capital.

At September 30, 2021, we were in compliance with our internal target minimum CET 1, Tier 1 and Total Capital to risk weighted asset and leverage ratios. We maintain prudent capital planning practices to ensure that we are adequately capitalized and continue to satisfy minimum standards and internal targets.

Table 23: Regulatory Capital

(in thousands except %)

	September 30 2021	December 31 2020
Regulatory Ratios (OSFI)		
Share capital	$ 282,396	$ 234,635
Contributed surplus	510	510
Retained earnings	111,413	111,367
Deduction from equity investment in MCAP [2]	(55,284)	(53,475)
Eligible Stage 1 and Stage 2 mortgage allowances [4]	856	1,364
Common Equity Tier 1 and Tier 1 Capital [4] (A)	339,891	294,401
Tier 2 Capital [4]	4,978	4,707
Total Capital [4] (D)	$ 344,869	$ 299,108
Total Exposure/Regulatory Assets [1]		
Consolidated assets	$ 3,604,261	$ 2,728,715
Less: deduction for equity investment in MCAP [2]	(55,284)	(53,475)
Other adjustments [3]	4,969	3,018
Total On-Balance Sheet Exposures	3,553,946	2,678,258
Mortgage and investment funding commitments (50%)	261,134	197,069
Letters of credit (50%)	22,692	19,552
Total Off-Balance Sheet Items	283,826	216,621
Total Exposure/Regulatory Assets (B)	$ 3,837,772	$ 2,894,879
Leverage ratio [1] **(A / B)**	8.86 %	10.17 %
Risk-weighted assets [1] **(C)**	$ 1,747,960	$ 1,358,261
Regulatory Capital Ratios [1]		
Common Equity Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.45 %	21.67 %
Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.45 %	21.67 %
Total capital to risk-weighted assets ratio **(D / C)**	19.73 %	22.02 %

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this MD&A.*

[2] *The deduction for the equity investment in MCAP is equal to the equity investment balance less 10% of shareholders' equity and eligible stage 1 and stage 2 mortgage allowances.*

[3] *Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.*

[4] *Effective March 31, 2020, the total capital ratio reflects the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital are included in CET 1 capital. The adjustment to CET 1 capital will be measured each quarter as the increase, if any, in stage 1 and stage 2 allowances compared to the corresponding allowances at December 31, 2019. The increase, if any, is subject to a scaling factor that will decrease over time and is set at 70% in fiscal 2020, 50% in fiscal 2021 and 25% in fiscal 2022.*

Table 24: Regulatory Risk-Weighted Assets

(in thousands except %)	September 30, 2021			December 31, 2020		
	Per Balance Sheet	Average Rate	Risk-Weighted Assets	Per Balance Sheet	Average Rate	Risk-Weighted Assets
On-Balance Sheet Assets						
Cash and cash equivalents	$ 123,219	21 %	$ 25,638	$ 88,929	21 %	$ 18,389
Cash held in trust	45,687	20 %	9,137	29,610	20 %	5,922
Marketable securities	70,938	100 %	70,938	49,613	100 %	49,613
Mortgages - corporate	1,657,168	62 %	1,031,988	1,252,762	62 %	775,093
Mortgages - securitized	1,530,565	6 %	86,336	1,135,745	5 %	59,146
Non-marketable securities	60,201	178 %	107,384	56,117	173 %	97,020
Equity investment in MCAP Commercial LP	94,801	42 %	39,518	88,263	39 %	34,788
Deferred tax asset	1,061	100 %	1,061	407	100 %	407
Other assets	20,621	100 %	20,619	27,269	100 %	27,269
			1,392,619			1,067,647
Off-Balance Sheet Items						
Letters of credit	45,384	50 %	22,692	39,105	50 %	19,553
Commitments	522,268	39 %	203,336	394,139	38 %	151,598
			226,028			171,151
Charge for operational risk [1]			129,313			119,463
Risk-Weighted Assets			**$ 1,747,960**			**$ 1,358,261**

[1] *We use the basic indicator approach for operational risk, which is equal to 15% of the previous three-year average of net investment income from corporate and securitized assets excluding provisions for credit losses multiplied by a factor of 12.5.*

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 while maintaining an appropriate balance between risk and return. The Company's key risk management practices, including risk governance, setting risk appetite, risk culture, stress testing, and monitoring and reporting are continually monitored, reviewed and enhanced from those outlined in the "Risk Management" section of the 2020 Annual MD&A.

Major Risk Types

For a complete discussion of major risk types to which the Company is exposed, refer to the "Risk Management" section of the 2020 Annual MD&A.

The COVID-19 pandemic continues to be a top and emerging risk for the Company. Refer to the "Risk Management" section of the 2020 Annual MD&A for a discussion on how the COVID-19 pandemic may affect the Company's future results and operations.

Liquidity and Funding Risk

Liquidity and funding risk is the risk that cash inflows including the ability to raise term 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, the Company maintains a Contingency Funding Plan that details the strategies and action plans to respond to stress events that could materially impair its access to funding and liquidity. As a result of COVID-19, the Company's Contingency Funding Plan was invoked.

Asset-Liability Committee ("ALCO"), which is comprised of management, is accountable for liquidity management oversight. On a monthly basis, or more frequently as required, ALCO reviews the Company's liquidity risk profile, reviews funding strategies and regularly monitors performance against established liquidity risk limits. Results of the monitoring of liquidity risk is reported to the Board and any exceptions or breach of key limits are immediately reported by ALCO to the Enterprise Risk Management and Compliance Committee ("ERM&CC"). At September 30, 2021, the Company was 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. At September 30, 2021, the Company 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.

The Company maintains a demand loan revolver facility to meet its 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. The facility limit is $120 million. On July 21, 2021, the facility limit was temporarily increased to $160 million until September 30, 2021.

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, the Company 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. The Company will execute these repurchase agreements to provide alternative sources of liquidity when it is efficient and effective to do so.

In May 2021, the Company signed a credit agreement with a Canadian Schedule I Chartered bank for a $50 million senior secured mortgage warehouse facility that bears interest at either prime plus 0.05% or BAs plus 1.05%. The facility is used to fund insured single family mortgages prior to securitization activities. This facility provides improved funding in response to our continued growth.

In May 2021, the Company entered into an agreement with MCAP Securities Limited Partnership, a wholly owned subsidiary of MCAP, whereby the Company can sell to MCAP Securities Limited Partnership insured single family mortgage commitments. This agreement provides liquidity and the opportunity to fund other core business activities in line with our strategy.

Our sources and uses of liquidity are outlined in the table below. For information on our off-balance sheet commitments refer to the “Off-Balance Sheet Arrangements” section of this MD&A.

Table 25: Liquidity Analysis

At September 30, 2021						
(in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Sources of liquidity						
Cash and cash equivalents	$ 123,219	$ —	$ —	$ —	$ —	$ 123,219
Marketable securities	70,938	—	—	—	—	70,938
Mortgages - corporate	226,999	817,668	468,534	113,231	30,736	1,657,168
Non-marketable securities	—	—	8,545	—	51,656	60,201
Other loans	3,795	—	—	—	—	3,795
	424,951	817,668	477,079	113,231	82,392	1,915,321
Uses of liquidity						
Term deposits	89,133	695,200	568,496	253,956	—	1,606,785
Loans payable	52,800	—	—	—	—	52,800
Other liabilities	5,350	563	1,605	1,860	1,536	10,914
	147,283	695,763	570,101	255,816	1,536	1,670,499
Net liquidity surplus (deficit)	**$ 277,668**	**$ 121,905**	**$ (93,022)**	**$ (142,585)**	**$ 80,856**	**$ 244,822**

Note: The above table excludes securitized assets and liabilities and pledged assets as their use is restricted to securitization program operations.

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 Risk Appetite Framework (“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.

Capital Commitments Committee, 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 Lines 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 concern. 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, at September 30, 2021, 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. These collective allowances are based on forward-looking economic assumptions and other factors discussed in Note 5 to the interim consolidated financial statements.

The 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 investments in non-marketable securities, where maximum credit exposure includes our total remaining commitments.

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.

An immediate and sustained parallel 1% increase to market interest rates on interest-bearing financial instruments at September 30, 2021 would have an estimated positive effect of $4.0 million (June 30, 2021 - positive effect of $2.9 million; December 31, 2020 - positive effect of $4.1 million) to net income over the following twelve month period. An immediate and sustained parallel 1% decrease to market interest rates at September 30, 2021 would have an estimated adverse effect of $0.9 million (June 30, 2021 - adverse effect of $0.6 million; December 31, 2020 - positive affect of $0.1 million) to net income over the following twelve month period. The reason for the large differential between our downside risk and our upside risk is due to our construction portfolio, which mostly all have interest rate floors.

We have an integrated balance sheet approach to interest rate risk and our management of liquidity and funding risk. We expect that the impact of an immediate and sustained interest rate change would normally be partially mitigated by the effect of changes in interest rates on the value of other financial instruments, such as marketable securities, given our balance sheet composition. Under normal circumstances, an immediate and sustained parallel 1% increase to market interest rates would be expected to have a negative impact on our marketable securities (which consist of our REIT portfolio); however, given these unprecedented times as a result of COVID-19, an immediate and sustained parallel 1% increase to market interest rates could signal a stronger economy and lead to an increase in the value of our marketable securities.

The following tables present the assets and liabilities of the Company by interest rate sensitivity at September 30, 2021 and December 31, 2020 and do not incorporate mortgage and loan prepayments. This analysis is subject to significant change in subsequent periods based on changes in customer preferences and in the application of asset/liability management policies. Floating rate assets and liabilities are immediately sensitive to changing interest rates while other assets are sensitive to changing interest rates periodically, either as they mature or as contractual repricing events occur. Non-interest sensitive includes marketable securities, equity investment in MCAP and other assets and liabilities. Yield spread represents the difference between the weighted average interest rate of the assets and liabilities in a certain category.

Table 26: Interest Rate Sensitivity at September 30, 2021

At September 30, 2021 (in thousands except %)	Floating Rate	Within 3 Months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Non Interest Sensitive	Total
Assets								
Corporate	$709,917	$159,012	$597,220	$186,925	$109,051	$ 82,258	$ 174,936	$ 2,019,319
Securitization	45,687	31,226	47,673	244,031	1,207,636	—	8,689	1,584,942
	755,604	190,238	644,893	430,956	1,316,687	82,258	183,625	3,604,261
Liabilities								
Corporate	52,800	89,133	695,200	568,496	253,956	—	10,914	1,670,499
Securitization	—	22,283	50,522	228,409	1,238,229	—	—	1,539,443
	52,800	111,416	745,722	796,905	1,492,185	—	10,914	3,209,942
Shareholders' Equity	—	—	—	—	—	—	394,319	394,319
GAP	**$702,804**	**$ 78,822**	**$(100,829)**	**$(365,949)**	**$(175,498)**	**$ 82,258**	**$ (221,608)**	**$ —**
YIELD SPREAD	**1.71 %**	**1.94 %**	**2.08 %**	**1.59 %**	**0.76 %**	**6.84 %**		

Table 27: Interest Rate Sensitivity at December 31, 2020

At December 31, 2020 (in thousands except %)	Floating Rate	Within 3 Months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Non Interest Sensitive	Total
Assets								
Corporate	$413,977	$199,490	$393,550	$242,439	$ 70,568	$ 80,196	$ 156,089	$ 1,556,309
Securitization	29,610	5,198	78,310	168,243	883,994	—	7,051	1,172,406
	443,587	204,688	471,860	410,682	954,562	80,196	163,140	2,728,715
Liabilities								
Corporate	—	123,727	426,047	519,630	165,365	—	4,825	1,239,594
Securitization	—	8,617	69,403	173,141	891,448	—	—	1,142,609
	—	132,344	495,450	692,771	1,056,813	—	4,825	2,382,203
Shareholders' Equity	—	—	—	—	—	—	346,512	346,512
GAP	**$443,587**	**$ 72,344**	**$(23,590)**	**$(282,089)**	**$(102,251)**	**$ 80,196**	**$ (188,197)**	**$ —**
YIELD SPREAD	**4.08 %**	**2.71 %**	**2.05 %**	**1.86 %**	**1.13 %**	**6.56 %**		

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, 2022.

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.

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 September 30, 2021, there were 27,646,210 common shares outstanding (June 30, 2021 - 27,559,606; December 31, 2020 - 24,727,145). At November 4, 2021, there were 27,646,210 common shares outstanding.

We issued $1.4 million in new common shares in Q3 2021 (Q3 2020 - $1.4 million) under the DRIP, which has historically provided MCAN with a reliable source of new capital and existing shareholders an opportunity to acquire additional shares at a discount to market value. Under the DRIP, dividends paid to shareholders are automatically reinvested in common shares issued out of treasury at the weighted average trading price for the five days preceding such issue less a discount of 2% until further notice from MCAN. The DRIP participation rate for the Q3 2021 third quarter dividend was 17% (2021 second quarter - 17%; 2020 third quarter - 17%).

As a part of expanding and maturing our funding activities, we filed a Base Shelf prospectus in August 2021 and in October 2021 we announced the establishment of an ATM Program. The Base Shelf prospectus will allow us to make public offerings of debt or equity securities of up to $400 million during the 25 month period that the Base Shelf prospectus is effective. The ATM Program allows us to raise up to $30 million of equity from the public from time to time over a 2 year period at our discretion at the market prices prevailing at the time of sales - allowing us to raise capital incrementally. We view the ATM Program as adding to our capital raising capabilities and one element of our long term source of capital. Both the Base Shelf prospectus and the ATM Program will give us additional flexibility for diversification and expansion of our funding sources.

For additional information related to share capital, refer to Note 12 to the interim consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We have contractual obligations relating to outstanding commitments for future fundings of corporate mortgages and our investments in non-marketable securities. Only a portion of the mortgage commitments that we issue are expected to fund. Accordingly, these amounts do not necessarily represent the future cash requirements of the Company.

Table 28: Contractual Commitments

At September 30, 2021						
(in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Mortgage funding commitments	$ 209,770	$ 148,800	$ 118,452	$ —	$ —	$ 477,022
Commitment - TAS	3,294	535	616	1,206	311	5,962
Commitment - TAS Co	1,750	1,875	250	—	—	3,875
Commitment - KSSMF	750	3,000	8,625	—	—	12,375
Commitment - KSHYF	563	277	—	—	22,194	23,034
	$ 216,127	**$ 154,487**	**$ 127,943**	**$ 1,206**	**$ 22,505**	**$ 522,268**

We retain mortgage servicing obligations relating to securitized insured multi family mortgages where balance sheet derecognition has been achieved. At September 30, 2021, these derecognized securitized insured multi family mortgages totalled $107 million. For further information on our securitization activities, refer to Note 9 to the interim consolidated financial statements.

We provide letters of credit, which are not reflected on the interim consolidated balance sheet, for the purpose of supporting developer obligations to municipalities in conjunction with residential construction loans. If the developer defaults in its obligation to the municipalities, the municipalities may draw on the letters of credit, in which case we are obligated to fund the letters of credit. For further information, refer to Note 17 to the interim consolidated financial statements.

MCAP was actively defending a claim arising from a power of sale process with respect to a defaulted land development loan previously funded by MCAN. The plaintiff had claimed improvident sale and had claimed damages of approximately $6 million. On December 11, 2020, a trial on this matter resulted in a court judgment to dismiss the claim with $300,000 in costs to be paid by the plaintiff. On January 11, 2021, the plaintiff appealed. On March 24, 2021, the Court dismissed the appeal. Based on this, we do not have any material liability arising out of the indemnification obligation to MCAP and accordingly have not recorded a provision.

DIVIDENDS

On November 4, 2021, the Board declared a quarterly dividend of $0.34 per share to be paid on January 4, 2022 to shareholders of record as at December 15, 2021.

On March 13, 2020, OSFI had instructed all federally regulated financial institutions that dividend increases should be halted for the time being. An increase in dividends was defined as an increase in the total dollar amount of dividends paid after March 13, 2020 and non-cash dividends such as stock dividends were not included in the limitation. On November 4, 2021, OSFI instructed all federally regulated financial institutions that they may again increase dividends.

In order to take advantage of the tax benefits provided by the MIC status, we pay out all of MCAN's non-consolidated taxable income to shareholders through dividends. As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income. Regular dividends are taxed as interest income to shareholders. We are able to pay capital gains dividends, which would be taxed as capital gains to shareholders. Dividends paid to foreign investors may be subject to withholding taxes. 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.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions for the quarters ended September 30, 2021 and September 30, 2020 and related party balances at September 30, 2021 and December 31, 2020 are discussed in Notes 8 and 16 to the interim consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The majority of our interim consolidated balance sheet consists of financial instruments, and the majority of net income (loss) is derived from the related income, expenses, gains and losses. Financial instruments include cash and cash equivalents, cash held in trust, marketable securities, mortgages, non-marketable securities, other loans, financial liabilities from securitization, term deposits and loans payable, which are discussed throughout this MD&A.

The use of financial instruments exposes us to liquidity and funding, credit, interest rate and market risk. A discussion of these risks and how they are managed is found in the "Risk Management" section of this MD&A.

Information on the financial statement classification and amounts of income, expenses, gains and losses associated with financial instruments are located in the "Results of Operations" and "Financial Position" sections of this MD&A. Information on the determination of the fair value of financial instruments is located in the "Critical Accounting Estimates and Judgments" section of this MD&A.

PEOPLE

At September 30, 2021, we had 124 team members (June 30, 2021 - 124; December 31, 2020 - 112).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's interim consolidated financial statements requires management to make judgments, estimations and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Estimates are considered carefully and reviewed at an appropriate level within MCAN. We believe that our estimates of the value of our assets and liabilities are appropriate. However, changes in these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the affected assets or liabilities in future periods.

For a detailed discussion of critical accounting estimates and judgments, refer to the "Critical Accounting Estimates and Judgments" section of the 2020 Annual MD&A.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At September 30, 2021, the President and CEO, and CFO of MCAN, with the assistance of the Company's Disclosure Committee comprised of members of management, have designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to MCAN is made known to the CEO and CFO and (ii) information required to be disclosed by us in reports we file or submit is recorded, processed, summarized and reported within the time periods specified in securities legislation, and have designed Internal Controls over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

As a result of changes to our operations due to the impact of COVID-19, we have automated certain of our internal controls over financial reporting. There were no changes in our ICFR during the interim period ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our control framework.

All internal control systems, no matter how well designed, have inherent limitations. As a result, even systems determined to be effective may not prevent or detect misstatements on a timely basis as systems can provide only reasonable assurance that the objectives of the control system are met. In addition, projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

NON-IFRS MEASURES

We prepare our interim consolidated financial statements in accordance with IFRS. We use a number of financial measures to assess our performance. Some of these measures are not calculated in accordance with IFRS, are not defined by IFRS and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. The non-IFRS measures used in this MD&A are defined as follows:

Return on Average Shareholders' Equity
Return on average shareholders' equity is a profitability measure that presents the annualized net income available (loss attributable) to shareholders as a percentage of the capital deployed to earn the income (loss). We calculate return on average shareholders' equity as a monthly average using all components of shareholders' equity.

Taxable Income Measures
Taxable income measures include taxable income and taxable income per share. Taxable income represents MCAN's net income on a non-consolidated basis calculated under the provisions of the Tax Act applicable to a MIC. Taxable income is calculated as an estimate until we complete our annual tax returns subsequent to year end, at which point it is finalized.

Average Interest Rate
The average interest rate is a profitability measure that presents the average annualized interest rate of an asset or liability. Mortgage portfolio average interest rate (corporate and securitized), average term deposit interest rate, financial liabilities from securitization average interest rate, spread of corporate mortgages over term deposit interest and spread of securitized mortgages over liabilities are examples of average interest rates. The average asset or liability balance that is incorporated into the average interest rate calculation is calculated on either a daily or monthly basis depending on the nature of the asset or liability. Please refer to the applicable tables containing average balances for further details.

Net Corporate Mortgage Spread Income and Net Securitized Mortgage Spread Income
Net corporate mortgage spread income is calculated as the difference between corporate mortgage interest and term deposit interest and expenses. Net securitized mortgage spread income is calculated as the difference between securitized mortgage interest and interest on financial liabilities from securitization.

Arrears and Impaired Mortgage Ratios
The arrears and impaired mortgage ratios represent the ratio of arrears and impaired mortgages to mortgage principal for both the corporate and total (corporate and securitized) portfolios.

Mortgage Arrears
Mortgage arrears measures include total corporate mortgage arrears, total securitized mortgage arrears and total mortgage arrears. These measures represent the amount of mortgages from the corporate portfolio, securitized portfolio and the sum of the two, respectively, that are at least one day past due.

Common Equity Tier 1, Tier 1, Tier 2 and Total Capital, Total Exposures, Regulatory Assets, Leverage Ratio and Risk-Weighted Asset Ratios
These measures are calculated in accordance with guidelines issued by OSFI and are located on Table 23 of this MD&A and Note 18 to the interim consolidated financial statements.

Income Tax Capital Measures
Income tax assets, income tax liabilities and income tax capital represent assets, liabilities and capital as calculated on a non-consolidated basis using the provisions of the Tax Act applicable to a MIC. The calculation of the income tax assets to capital ratio and income tax liabilities to capital ratio are based on these amounts.

Market Capitalization
Market capitalization is calculated as the number of common shares outstanding multiplied by the closing common share price as of that date.

Book Value per Common Share
Book value per common share is calculated as total shareholders' equity divided by the number of common shares outstanding as of that date.

Limited Partner's At-Risk Amount
The value of our equity investment in MCAP for income tax purposes is referred to as the Limited Partner's At-Risk Amount, which represents the cost base of the limited partner's investment in the partnership. The LP ARA is increased (decreased) by the partner's share of partnership income on a tax basis, increased by the amount of capital contributions into the partnership and reduced by distributions received from the partnership.

CONSOLIDATED BALANCE SHEETS
(Unaudited) (in thousands of Canadian dollars)

	Note	September 30 2021	December 31 2020
Assets			
Corporate Assets			
Cash and cash equivalents		$ 123,219	$ 88,929
Marketable securities		70,938	49,613
Mortgages	6	1,657,168	1,252,762
Non-marketable securities	7	60,201	56,117
Equity investment in MCAP Commercial LP	8	94,801	88,263
Deferred tax assets		1,061	407
Other assets		11,931	20,218
		2,019,319	**1,556,309**
Securitization Assets			
Cash held in trust		45,687	29,610
Mortgages	10	1,530,565	1,135,745
Other assets	10	8,690	7,051
		1,584,942	**1,172,406**
		$ 3,604,261	**$ 2,728,715**
Liabilities and Shareholders' Equity			
Liabilities			
Corporate Liabilities			
Term deposits		$ 1,606,785	$ 1,234,769
Demand loan payable	17	52,800	—
Other liabilities		10,914	4,825
		1,670,499	**1,239,594**
Securitization Liabilities			
Financial liabilities from securitization	11	1,539,443	1,142,609
		1,539,443	**1,142,609**
		3,209,942	**2,382,203**
Shareholders' Equity			
Share capital	12	282,396	234,635
Contributed surplus		510	510
Retained earnings		111,413	111,367
		394,319	**346,512**
		$ 3,604,261	**$ 2,728,715**

The accompanying notes and shaded areas of the "Risk Management" section of Management's Discussion and Analysis of Operations are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (in thousands of Canadian dollars except for per share amounts)

For the Periods Ended September 30	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Net Investment Income - Corporate Assets					
Mortgage interest		$ 19,072	$ 16,149	$ 51,387	$ 46,955
Equity income from MCAP Commercial LP	8	5,606	17,963	19,207	24,540
Non-marketable securities		1,549	1,269	4,309	4,425
Marketable securities		938	588	2,665	1,762
Fees		506	555	1,354	1,076
Interest on cash and other income		93	108	286	507
Net gain (loss) on securities		1,016	(517)	11,389	(14,793)
Gain on dilution of investment in MCAP Commercial LP	8	—	33	326	33
		28,780	**36,148**	**90,923**	**64,505**
Term deposit interest and expenses		8,013	7,774	23,041	24,088
Mortgage expenses	14	1,401	1,130	3,683	3,288
Interest on loans payable		512	269	791	484
Other financial expenses		—	—	125	—
Provision for (recovery of) credit losses	15	(122)	12	(288)	2,055
		9,804	**9,185**	**27,352**	**29,915**
		18,976	**26,963**	**63,571**	**34,590**
Net Investment Income - Securitization Assets					
Mortgage interest		7,478	5,504	21,376	15,073
Other securitization income		77	43	165	483
		7,555	**5,547**	**21,541**	**15,556**
Interest on financial liabilities from securitization		5,222	3,841	14,561	11,666
Mortgage expenses	14	890	558	2,442	1,540
Provision for (recovery of) credit losses	15	—	(1)	(20)	11
		6,112	**4,398**	**16,983**	**13,217**
		1,443	**1,149**	**4,558**	**2,339**
Operating Expenses					
Salaries and benefits		4,542	3,517	13,737	10,538
General and administrative		1,946	1,525	6,667	5,030
		6,488	**5,042**	**20,404**	**15,568**
Net Income Before Income Taxes		**13,931**	**23,070**	**47,725**	**21,361**
Provision for (recovery of) income taxes					
Current		—	229	86	758
Deferred		941	100	(653)	(204)
		941	329	**(567)**	**554**
Net Income		**$ 12,990**	**$ 22,741**	**$ 48,292**	**$ 20,807**
Basic and diluted earnings per share		$ 0.47	$ 0.92	$ 1.84	$ 0.85
Cash dividends per share		$ 0.34	$ 0.34	$ 1.02	$ 1.02
Stock dividends per share		$ —	$ —	$ 0.85	$ —
Weighted average number of basic and diluted shares (000's)		27,601	24,622	26,304	24,447

The accompanying notes and shaded areas of the "Risk Management" section of Management's Discussion and Analysis of Operations are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited) (in thousands of Canadian dollars)

For the Periods Ended September 30	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Share Capital					
Balance, beginning of period		$ 280,999	$ 233,244	$ 234,635	$ 228,008
Share capital issued	12	1,397	1,391	47,761	6,627
Balance, end of period		**282,396**	**234,635**	**282,396**	**234,635**
Contributed Surplus		**510**	**510**	**510**	**510**
Retained Earnings					
Balance, beginning of period		107,793	83,318	111,367	101,794
Net income		12,990	22,741	48,292	20,807
Dividends declared	12	(9,370)	(8,371)	(48,246)	(24,913)
Balance, end of period		**111,413**	**97,688**	**111,413**	**97,688**
Total Shareholders' Equity		**$ 394,319**	**$ 332,833**	**$ 394,319**	**$ 332,833**

The accompanying notes and shaded areas of the "Risk Management" section of Management's Discussion and Analysis of Operations are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (in thousands of Canadian dollars)

For the Periods Ended September 30	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Cash flows from (for):					
Operating Activities					
Net income		$ 12,990	$ 22,741	$ 48,292	$ 20,807
Adjustments to determine cash flows relating to operating activities:					
Deferred taxes		941	100	(653)	(204)
Equity income from MCAP Commercial LP	8	(5,606)	(17,963)	(19,207)	(24,540)
Gain on dilution of investment in MCAP Commercial LP	8	—	(33)	(326)	(33)
Provision for (recovery of) credit losses	15	(121)	11	(307)	2,066
Net (gain) loss on securities		(1,016)	517	(11,389)	14,793
Amortization of securitized mortgage and liability transaction costs		1,277	496	3,125	1,755
Amortization of other assets		165	184	525	578
Changes in operating assets and liabilities:					
Marketable securities		—	4	(9,936)	(2,877)
Corporate and securitized mortgages		(353,086)	(339,712)	(802,467)	(400,550)
Non-marketable securities		(9)	2,200	(4,084)	36,349
Other assets		(2,034)	(5)	6,282	(4,444)
Cash held in trust		(288)	(2,786)	(16,077)	2,323
Term deposits		193,107	128,566	372,016	195,124
Financial liabilities from securitization		92,001	146,534	397,259	175,162
Current taxes payable		—	229	—	758
Other liabilities		899	1,600	6,341	974
Cash flows from (for) operating activities		**(60,780)**	**(57,317)**	**(30,606)**	**18,041**
Investing Activities					
Distributions from MCAP Commercial LP	8	4,119	1,568	12,995	5,279
Acquisition of capital and intangible assets		(37)	(71)	(156)	(240)
Cash flows from investing activities		**4,082**	**1,497**	**12,839**	**5,039**
Financing Activities					
Proceeds from issuance of common shares		—	—	20,275	—
Net change in demand loan		8,309	25,116	52,800	20,063
Repayment of premises lease liability		(86)	(83)	(257)	(248)
Dividends paid		(7,972)	(6,980)	(20,761)	(26,090)
Cash flows from (for) financing activities		**251**	**18,053**	**52,057**	**(6,275)**
Increase (decrease) in cash and cash equivalents		(56,447)	(37,767)	34,290	16,805
Cash and cash equivalents, beginning of period		179,666	109,024	88,929	54,452
Cash and cash equivalents, end of period		**$ 123,219**	**$ 71,257**	**$ 123,219**	**$ 71,257**
Supplementary Information					
Interest received		$ 26,363	$ 21,008	$ 70,736	$ 60,853
Interest paid		12,602	11,402	32,455	31,600
Distributions received from securities		2,147	1,861	6,272	5,713

The accompanying notes and shaded areas of the "Risk Management" section of Management's Discussion and Analysis of Operations are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note

1. Corporate Information

MCAN Mortgage Corporation (the "Company" or "MCAN") is a Loan Company under the *Trust and Loan Companies Act* (Canada) (the "Trust Act") and a Mortgage Investment Corporation ("MIC") under the *Income Tax Act* (Canada) (the "Tax Act"). As a Loan Company under the Trust Act, the Company is subject to the guidelines and regulations set by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). MCAN is incorporated in Canada with its head office located at 200 King Street West, Suite 600, Toronto, Ontario, Canada. MCAN is a public company listed on the Toronto Stock Exchange under the symbol MKP.

MCAN's 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, including our investment in MCAP Commercial LP ("MCAP"). MCAN employs 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. The Company manages its capital and asset balances based on the regulations and limits of both the Tax Act and OSFI.

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

The interim consolidated financial statements were approved in accordance with a resolution of the Board of Directors (the "Board") on November 4, 2021.

2. Basis of Preparation

The interim consolidated financial statements of the Company have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements should be read in conjunction with the 2020 Annual Report.

The interim consolidated financial statements have been prepared on a historical cost basis, except for certain items carried at fair value as discussed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2020. The interim consolidated financial statements are presented in Canadian dollars.

The disclosures that accompany the interim consolidated financial statements include the significant accounting policies applied (Note 4) and the significant accounting judgments and estimates (Note 5) applicable to the preparation of the interim consolidated financial statements. Certain disclosures are included in the shaded sections of the "Risk Management" section of Management's Discussion and Analysis of Operations (the "MD&A"), as permitted by IFRS, and form an integral part of the interim consolidated financial statements.

The Company separates its assets into its corporate and securitization portfolios for reporting purposes. Corporate assets are funded by term deposits and share capital. Securitization assets consist primarily of mortgages that have been securitized through the *National Housing Act* ("NHA") Mortgage-Backed Securities ("MBS") program and subsequently sold to third parties in transactions that do not achieve derecognition of the mortgages. These assets are funded by the cash received from the sale of the associated securities, from which the Company records a financial liability from securitization.

3. Basis of Consolidation

The interim consolidated financial statements include the balances of MCAN and its wholly owned subsidiaries, after the elimination of intercompany transactions and balances. The Company consolidates those entities which it controls. The Company has control when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

4. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in the preparation of its interim consolidated financial statements are the same as those disclosed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2020 except as noted below:

Interest Rate Benchmark Reform – Phase 2 Amendments

As part of the IASB's standard setting activities related to the accounting issues arising from the interest rate benchmark reform to transition away from interbank offered rates ("IBORs") benchmarks to alternative reference rates ("ARRs"), referred to as the IBOR reform, the IASB published amendments to IFRS in two phases. The second phase was published on August 27, 2020, and it amended IFRS 9, *Financial Instruments* ("IFRS 9"), IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*. The Phase 2 amendments, which became effective on January 1, 2021, provided guidelines for applying IFRS when changes are made to the contractual cash flows of financial instruments or hedging relationships as a result of IBOR reform. The Company has determined that the IBOR reform Phase 2 amendments do not have a material impact on the Company's interim consolidated financial statements.

5. Summary of Significant Accounting Judgments and Estimates

The preparation of the Company's interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the affected assets or liabilities in future periods.

Significant influence

Significant influence represents the power to participate in the financial and operating policy decisions of an investee but does not represent control or joint control over the entity. In determining whether it has significant influence over an entity, the Company makes certain judgments to form the basis for the Company's policies in accounting for its equity investments. Although MCAN's voting interest in MCAP was less than 20% at September 30, 2021, MCAN uses the equity basis of accounting for the investment as it has significant influence in MCAP per IAS 28, *Investments in Associates and Joint Ventures*, as a result of its entitlement to a position on MCAP's Board of Directors.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the interim consolidated financial statements cannot be derived from active markets, they are determined using a variety of valuation techniques that may include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimates are required to establish fair values. These estimates include considerations of liquidity and model inputs such as discount rates, prepayment rates and default rate assumptions for certain investments.

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company groups its financial assets into stage 1, stage 2 and stage 3, depending on whether the assets are performing, in arrears or impaired. The Company's allowance for expected credit loss ("ECL") calculations are model outputs with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk which results in allowances being measured on a lifetime versus 12-month ECL basis;
- The segmentation of financial assets for the purposes of assessing ECL on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default, Loss Given Default, and Exposure at Default; and
- Forward-looking information used as economic inputs.

(Dollar amounts in thousands except for per share amounts)

The Company may also make qualitative adjustments or overlays using expert credit judgment in the calculations of ECLs, which represent accounting judgments and estimates which have been heightened due to the COVID-19 environment. Key judgments and estimates, including around probability weights to assign to each scenario and the impacts of government stimulus measures, will be heavily influenced by the extent and severity of the pandemic. These judgments and estimates have been made with reference to the facts, projections and other circumstances at the interim consolidated balance sheet dates. IFRS 9 does not permit the use of hindsight in measuring provisions for credit losses. Any new forward-looking information subsequent to the interim consolidated balance sheet dates are reflected in the measurement of provisions for credit losses in future periods, as appropriate.

Mortgage prepayment rates

In calculating the rate at which borrowers prepay their mortgages, the Company makes estimates based on its historical experience. These assumptions impact the timing of revenue recognition and the amortization of mortgage premiums using the effective interest rate method ("EIM").

6. Mortgages - Corporate

(a) Summary

	Gross	Allowance				Net
At September 30, 2021	**Principal**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Principal**
Corporate Portfolio:						
Single family mortgages						
Insured	$ 170,959	$ —	$ —	$ —	$ —	$ 170,959
Uninsured	715,497	1,634	302	48	1,984	713,513
Uninsured - completed inventory	32,786	311	—	—	311	32,475
Construction loans	647,723	3,130	74	—	3,204	644,519
Commercial loans						
Multi family residential	65,864	153	130	—	283	65,581
Other commercial	30,217	30	66	—	96	30,121
	$ 1,663,046	**$ 5,258**	**$ 572**	**$ 48**	**$ 5,878**	**$ 1,657,168**

	Gross	Allowance				Net
At December 31, 2020	**Principal**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Principal**
Corporate Portfolio:						
Single family mortgages						
Insured	$ 173,376	$ 3	$ —	$ —	$ 3	$ 173,373
Uninsured	485,765	1,513	663	157	2,333	483,432
Uninsured - completed inventory	49,654	500	205	—	705	48,949
Construction loans	489,432	2,609	191	—	2,800	486,632
Commercial loans						
Multi family residential	29,985	146	—	—	146	29,839
Other commercial	30,754	36	181	—	217	30,537
	$ 1,258,966	**$ 4,807**	**$ 1,240**	**$ 157**	**$ 6,204**	**$ 1,252,762**

Gross principal as presented in the tables above includes unamortized capitalized transaction costs and accrued interest.

(b) Mortgages by risk rating

The Company's internal risk rating system involves judgment and combines multiple factors to arrive at a borrower-specific score to assess the borrower's probability of default and ultimately classify the mortgage into one of the categories listed below. For single family mortgages, these factors include, but are not limited to, the loan to value ratio, the borrower's ability to service debt, property location and credit score. For construction, commercial and uninsured completed inventory loans, these factors include, but are not limited to, borrower net worth, project presales, experience with the borrower, project location, debt serviceability and loan to value ratio.

The internal risk ratings presented below are defined as follows:

- **Insured Performing:** Mortgages that are insured by a federally regulated mortgage insurer that are not in arrears or default.
- **Very Low/Low**: Mortgages that have below average probability of default with credit risk that is lower than the Company's risk appetite and risk tolerance levels.
- **Normal/Moderate:** Mortgages that have a standard probability of default with credit risk that is within the Company's risk appetite and risk tolerance levels.
- **High/Higher:** Mortgages that may have a higher probability of default but are within the Company's risk appetite or have subsequently experienced an increase in credit risk. The proportion of mortgages originated in this category is managed to the Company's overall risk appetite and tolerance levels.
- **Monitored/Arrears:** For single family mortgages, mortgages that are past due but less than 90 days in arrears or mortgages for which an escalated concern has arisen. For construction, commercial and uninsured completed inventory loans, mortgages where the performance trend is negative or where debt serviceability may be in jeopardy.
- **Impaired/Default**: Mortgages that are over 90 days past due or mortgages for which there is objective evidence of impairment.

(Dollar amounts in thousands except for per share amounts)

The table below shows the credit quality of the Company's corporate mortgage portfolio based on the Company's internal risk rating system and stage classification. The Company's policy that outlines whether ECL allowances are calculated on an impaired or performing basis is discussed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2020.

At	September 30, 2021				December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Single family mortgages								
Insured								
Insured performing	$ 165,267	$ 5,003	$ —	$ 170,270	$ 163,371	$ 8,054	$ —	$ 171,425
Monitored/Arrears	89	—	—	89	682	—	—	682
Impaired/Default	—	—	600	600	—	—	1,266	1,266
	165,356	5,003	600	170,959	164,053	8,054	1,266	173,373
Uninsured								
Very low/Low	291,267	37,635	—	328,902	176,324	28,924	—	205,248
Normal/Moderate	309,304	36,793	—	346,097	215,895	31,139	—	247,034
High/Higher	27,087	3,322	—	30,409	17,427	3,183	—	20,610
Monitored/Arrears	5,850	1,864	—	7,714	2,764	5,271	—	8,035
Impaired/Default	—	—	391	391	—	—	2,505	2,505
	633,508	79,614	391	713,513	412,410	68,517	2,505	483,432
Uninsured - completed inventory								
High/Higher	32,475	—	—	32,475	35,659	13,290	—	48,949
	32,475	—	—	32,475	35,659	13,290	—	48,949
Construction loans								
Normal/Moderate	4,322	—	—	4,322	12,842	—	—	12,842
High/Higher	632,357	4,293	—	636,650	453,555	4,676	—	458,231
Monitored/Arrears	—	3,547	—	3,547	—	15,559	—	15,559
	636,679	7,840	—	644,519	466,397	20,235	—	486,632
Commercial loans								
Multi family residential								
Very low/Low	10,051	—	—	10,051	—	—	—	—
Normal/Moderate	24,047	—	—	24,047	29,839	—	—	29,839
High/Higher	4,180	27,303	—	31,483	—	—	—	—
	38,278	27,303	—	65,581	29,839	—	—	29,839
Other								
Normal/Moderate	13,312	—	—	13,312	13,337	—	—	13,337
Monitored/Arrears	—	16,809	—	16,809	—	17,200	—	17,200
	13,312	16,809	—	30,121	13,337	17,200	—	30,537
	$1,519,608	**$ 136,569**	**$ 991**	**$1,657,168**	**$1,121,695**	**$ 127,296**	**$ 3,771**	**$1,252,762**

(Dollar amounts in thousands except for per share amounts)

(c) Mortgage allowances

Quarters Ended September 30	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Single family mortgages								
Insured								
Allowance, beginning of quarter	$ —	$ —	$ —	$ —	$ 3	$ —	$ —	$ 3
Originations [4]	—	—	—	—	3	—	—	3
Mortgages derecognized or repaid [2]	—	—	—	—	(3)	—	—	(3)
Total provision	—	—	—	—	—	—	—	—
Allowance, end of quarter	—	—	—	—	3	—	—	3
Uninsured								
Allowance, beginning of quarter	$ 1,943	$ 336	$ 62	$ 2,341	$ 1,171	$ 662	$ 199	$ 2,032
Transfer to stage 1 [3]	96	(96)	—	—	112	(112)	—	—
Transfer to stage 2 [3]	(164)	164	—	—	(188)	191	(3)	—
Transfer to stage 3 [3]	(19)	—	19	—	(3)	—	3	—
Net remeasurement of allowance [1]	(625)	(57)	3	(679)	(398)	(249)	67	(580)
Originations [4]	573	—	—	573	317	—	—	317
Mortgages derecognized or repaid [2]	(170)	(45)	—	(215)	(44)	(27)	(23)	(94)
Total provision (recovery)	(309)	(34)	22	(321)	(204)	(197)	44	(357)
Write-offs	—	—	(36)	(36)	—	—	(83)	(83)
Allowance, end of quarter	1,634	302	48	1,984	967	465	160	1,592
Uninsured - completed inventory								
Allowance, beginning of quarter	$ 402	$ 58	$ —	$ 460	$ 832	$ 38	$ —	$ 870
Transfer to stage 1 [3]	9	(9)	—	—	—	—	—	—
Net remeasurement of allowance [1]	(100)	(38)	—	(138)	(208)	(10)	—	(218)
Originations [4]	—	—	—	—	118	—	—	118
Mortgages derecognized or repaid [2]	—	(11)	—	(11)	(40)	—	—	(40)
Total recovery	(91)	(58)	—	(149)	(130)	(10)	—	(140)
Allowance, end of quarter	311	—	—	311	702	28	—	730
Construction loans								
Allowance, beginning of quarter	$ 2,780	$ 73	$ —	$ 2,853	$ 2,937	$ 307	$ —	$ 3,244
Transfer to stage 1 [3]	194	(194)	—	—	169	(169)	—	—
Transfer to stage 2 [3]	(193)	193	—	—	(19)	182	(163)	—
Transfer to stage 3 [3]	—	—	—	—	(147)	—	147	—
Net remeasurement of allowance [1]	330	2	—	332	65	(16)	16	65
Originations [4]	156	—	—	156	478	—	—	478
Mortgages derecognized or repaid [2]	(137)	—	—	(137)	(147)	(28)	—	(175)
Total provision (recovery)	350	1	—	351	399	(31)	—	368
Allowance, end of quarter	3,130	74	—	3,204	3,336	276	—	3,612

(Dollar amounts in thousands except for per share amounts)

Quarters Ended September 30	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Commercial loans								
Multi family residential								
Allowance, beginning of quarter	$ 110	$ 160	$ —	$ 270	$ 56	$ 6	$ —	$ 62
Net remeasurement of allowance [1]	(17)	(30)	—	(47)	(15)	—	—	(15)
Originations [4]	60	—	—	60	—	—	—	—
Mortgages derecognized or repaid [2]	—	—	—	—	—	(6)	—	(6)
Total provision (recovery)	43	(30)	—	13	(15)	(6)	—	(21)
Allowance, end of quarter	153	130	—	283	41	—	—	41
Other								
Allowance, beginning of quarter	$ 40	$ 73	$ —	$ 113	$ 19	$ 66	$ —	$ 85
Net remeasurement of allowance [1]	(10)	(7)	—	(17)	17	133	—	150
Total provision (recovery)	(10)	(7)	—	(17)	17	133	—	150
Allowance, end of quarter	30	66	—	96	36	199	—	235
Total								
Allowance, beginning of quarter	$ 5,275	$ 700	$ 62	$ 6,037	$ 5,018	$ 1,079	$ 199	$ 6,296
Transfer to stage 1 [3]	299	(299)	—	—	281	(281)	—	—
Transfer to stage 2 [3]	(357)	357	—	—	(207)	373	(166)	—
Transfer to stage 3 [3]	(19)	—	19	—	(150)	—	150	—
Net remeasurement of allowance [1]	(422)	(130)	3	(549)	(539)	(142)	83	(598)
Originations [4]	789	—	—	789	916	—	—	916
Mortgages derecognized or repaid [2]	(307)	(56)	—	(363)	(234)	(61)	(23)	(318)
Total provision (recovery)	(17)	(128)	22	(123)	67	(111)	44	—
Write-offs	—	—	(36)	(36)	—	—	(83)	(83)
Allowance, end of quarter	**$ 5,258**	**$ 572**	**$ 48**	**$ 5,878**	**$ 5,085**	**$ 968**	**$ 160**	**$ 6,213**

[1] *Represents the change in the allowance related to changes in model parameters, inputs, and assumptions. This includes remeasurement between 12 month and lifetime ECLs following stage transfers, changes to forward-looking macroeconomic conditions, changes in the level of risk, and changes to other parameters used in the ECL model.*
[2] *Reflects the decrease in the allowance related to mortgages that were repaid or derecognized during the period.*
[3] *Represents movements between ECL stages and excludes the impact to the allowance of remeasurement between 12 month and lifetime ECLs and changes in risk.*
[4] *Reflects the increase in allowance related to mortgages newly recognized during the period. This includes mortgages that were newly originated, purchased, or re-recognized following a modification of terms.*

ECLs are calculated through three probability-weighted forward-looking scenarios (base, favourable, and unfavourable). ECLs are sensitive to the macroeconomic variables used in the three forward-looking scenarios and the probability weights assigned to those forecasts. The macroeconomic variables used in these scenarios are projected over the specified forecast period and could have a material impact in determining ECLs.

(Dollar amounts in thousands except for per share amounts)

The following table represents the average values of the macroeconomic variables used in these forecasts:

At September 30, 2021	Base		Favourable		Unfavourable	
Macroeconomic variables	Next 12 months [1]	2 to 5 years [1]	Next 12 months [1]	2 to 5 years [1]	Next 12 months [1]	2 to 5 years [1]
Housing Price Index (annual change)						
Canada	7.86%	0.91%	15.46%	1.41%	(4.29)%	0.40%
Greater Toronto Area	11.91%	1.20%	20.10%	1.81%	(5.47)%	1.86%
Greater Vancouver Area	9.66%	1.08%	20.26%	1.82%	(5.51)%	1.87%
Gross domestic product (annual change)	4.73%	2.58%	5.73%	2.70%	1.98 %	2.33 %
Unemployment rate	6.31%	5.46%	5.81%	5.40%	7.56%	5.56%
Interest rates						
Prime rate	2.48%	2.94%	2.98%	3.44%	2.23%	2.69%

At December 31, 2020	Base		Favourable		Unfavourable	
Macroeconomic variables	Next 12 months [1]	2 to 5 years [1]	Next 12 months [1]	2 to 5 years [1]	Next 12 months [1]	2 to 5 years [1]
Housing Price Index (annual change)						
Canada	5.46%	1.82%	12.93%	2.33%	(6.49)%	1.32%
Greater Toronto Area	7.79%	2.38%	16.77%	2.99%	(8.24)%	2.46%
Greater Vancouver Area	2.74%	2.39%	16.91%	3.01%	(8.31)%	2.48%
Gross domestic product (annual change)	5.24%	3.42%	6.24%	3.55%	2.35 %	3.42%
Unemployment rate	7.68%	6.37%	6.68%	6.25%	9.50%	6.50%
Interest rates						
Prime rate	2.45%	2.45%	2.95%	2.95%	2.20%	2.20%

At September 30, 2020	Base		Favourable		Unfavourable	
Macroeconomic variables	Next 12 months [1]	2 to 5 years [1]	Next 12 months [1]	2 to 5 years [1]	Next 12 months [1]	2 to 5 years [1]
Housing Price Index (annual change)						
Canada	1.11%	1.34%	8.35%	1.85%	(5.77)%	0.84%
Greater Toronto Area	1.43%	1.88%	10.78%	2.37%	(7.34)%	2.07%
Greater Vancouver Area	1.02%	1.56%	10.87%	2.39%	(7.39)%	2.09%
Gross domestic product (annual change)	3.70%	4.17%	4.70%	4.30%	2.37 %	4.17%
Unemployment rate	8.31%	6.84%	7.87%	5.84%	8.75%	6.96%
Interest rates						
Prime rate	2.45%	2.45%	2.95%	2.95%	2.20%	2.20%

[1] *The numbers represent the average values over the quoted period.*

Historical regression methodology is used to relate ECL to key macroeconomic indicators including housing price indices, gross domestic product, unemployment rate and interest rates. Economic forecasts are determined based on a combination of external information and internal management judgments and estimates at the reporting date. COVID-19 has increased the level of uncertainty with respect to management's judgements and estimates including around probability weights to assign to each scenario and the impacts of various government support programs and their impact on the speed and shape of economic recovery. Since September 30, 2021, forecasts around the impact of COVID-19 on the economy and the timing of recovery have continued to evolve. Any new forward-looking information subsequent to September 30, 2021, will be reflected in the measurement of provisions for credit losses in future periods, as appropriate. This may add significant variability to provisions for credit losses in future periods.

The base scenario represents management's best estimate using all available economic forecasts in light of COVID-19. It assumes a gradual decrease in unemployment as COVID-19 lockdown measures are removed. Gross domestic product is expected to increase in 2021 and gradually increase going forward. Housing prices have increased under COVID-19 and are expected to continue to grow in 2021 with gradual increases going forward. The favourable scenario represents a speedier recovery with a faster decrease in unemployment and faster increases in gross domestic product and the housing price index. The unfavourable scenario represents the possibility of further waves and new variants of COVID-19 continuing to emerge, resulting in increases in the unemployment rate and decreases in housing prices in the short-term and slower gross domestic product growth.

(Dollar amounts in thousands except for per share amounts)

Assuming a 100% base case economic forecast with the incorporation of the impact of the migration of mortgages between stages, with all other assumptions held constant, the ECL for corporate mortgages at September 30, 2021 would be approximately $4,872 (December 31, 2020 - $4,128) compared to the reported ECL for corporate mortgages of $5,878 (December 31, 2020 - $6,204).

Assuming a 100% unfavourable economic forecast with the incorporation of the impact of the migration of mortgages between stages, with all other assumptions held constant, the ECL for corporate mortgages at September 30, 2021 would be approximately $8,419 (December 31, 2020 - $7,659) compared to the reported ECL for corporate mortgages of $5,878 (December 31, 2020 - $6,204).

(d) Arrears and impaired mortgages

Mortgages past due but not impaired are as follows:

At September 30, 2021	1 to 30 days	31 to 60 days	61 to 90 days	Total
Single family mortgages				
Insured	$ 89	$ —	$ —	$ 89
Uninsured	7,104	610	—	7,714
	$ 7,193	**$ 610**	**$ —**	**$ 7,803**
At December 31, 2020	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**Total**
Single family mortgages				
Insured	$ 682	$ —	$ —	$ 682
Uninsured	4,370	2,511	1,154	8,035
Construction	11,800	—	—	11,800
	$ 16,852	**$ 2,511**	**$ 1,154**	**$ 20,517**

Impaired mortgages (net of individual allowances) are as follows:

At	September 30, 2021			December 31, 2020		
	Single Family Mortgages			Single Family Mortgages		
	Insured	Uninsured	Total	Insured	Uninsured	Total
Ontario	$ —	$ —	$ —	$ —	$ 919	$ 919
Alberta	490	391	881	1,111	237	1,348
British Columbia	—	—	—	—	941	941
Quebec	—	—	—	45	—	45
Atlantic Provinces	110	—	110	110	258	368
Other	—	—	—	—	150	150
	$ 600	**$ 391**	**$ 991**	**$ 1,266**	**$ 2,505**	**$ 3,771**

(Dollar amounts in thousands except for per share amounts)

(e) Geographic analysis

At September 30, 2021	Single Family Mortgages	Construction Loans	Commercial Loans	Total	
Ontario	$ 765,794	$ 173,601	$ 91,522	$ 1,030,917	62.1 %
Alberta	73,057	61,266	—	134,323	8.1 %
British Columbia	56,864	409,652	—	466,516	28.2 %
Quebec	6,652	—	4,180	10,832	0.7 %
Atlantic Provinces	8,066	—	—	8,066	0.5 %
Other	6,514	—	—	6,514	0.4 %
	$ 916,947	**$ 644,519**	**$ 95,702**	**$ 1,657,168**	**100.0 %**

At December 31, 2020	Single Family Mortgages	Construction Loans	Commercial Loans	Total	
Ontario	$ 552,055	$ 232,563	$ 60,376	$ 844,994	67.5 %
Alberta	73,582	20,142	—	93,724	7.5 %
British Columbia	57,111	233,927	—	291,038	23.2 %
Quebec	7,983	—	—	7,983	0.6 %
Atlantic Provinces	8,724	—	—	8,724	0.7 %
Other	6,299	—	—	6,299	0.5 %
	$ 705,754	**$ 486,632**	**$ 60,376**	**$ 1,252,762**	**100.0 %**

(f) Other information

Outstanding commitments for future fundings of mortgages are as follows:

At	September 30, 2021	December 31, 2020
Single family mortgages		
Insured	$ 92,290	$ 79,048
Uninsured	40,428	24,728
Uninsured - completed inventory	1,389	2,794
Construction loans	342,915	264,163
	$ 477,022	**$ 370,733**

Of the total outstanding commitments for future fundings, only a portion issued are expected to fund. Accordingly, these amounts do not necessarily represent future cash requirements of the Company.

The fair value of the corporate mortgage portfolio at September 30, 2021 was $1,664,053 (December 31, 2020 - $1,266,785). Fair values are calculated on a discounted cash flow basis using the prevailing market rates for similar mortgages.

At September 30, 2021, single family insured mortgages included $50,638 (December 31, 2020 - $48,304) of mortgages that had been securitized through the market MBS program; however, the underlying MBS security has been retained by the Company for liquidity purposes.

7. Non-Marketable Securities

At	September 30, 2021	December 31, 2020
KingSett High Yield Fund	$ 44,356	$ 43,583
KingSett Senior Mortgage Fund LP	2,638	—
TAS LP 3	3,537	—
TAS LP 3 Co-Invest LP	1,125	—
Securitization Notes	8,545	12,534
	$ 60,201	**$ 56,117**

(Dollar amounts in thousands except for per share amounts)

The Company holds an investment in the KingSett High Yield Fund ("KSHYF"), in which it has a 6.5% equity interest at September 30, 2021 (December 31, 2020 - 6.8%). At September 30, 2021, the Company's total remaining commitment to the KSHYF was $23,034 (December 31, 2020 - $23,406), consisting of $840 of capital advances for the KSHYF (December 31, 2020 - $1,212) and $22,194 to support credit facilities throughout the life of the KSHYF (December 31, 2020 - $22,194).

During 2021, the Company invested $2,638 in KingSett Senior Mortgage Fund LP ("KSSMF") representing a 0.6% partnership interest, with an additional $12,375 remaining commitment. KSSMF invests in a diversified portfolio of mortgage loans secured by Canadian residential and commercial real estate.

During 2021, the Company invested $3,537 in TAS LP 3 ("TAS") representing a 9.7% partnership interest, with an additional $5,962 remaining commitment. TAS invests in, and develops, residential and mixed use properties.

During 2021, the Company invested $1,125 in TAS LP 3 Co-Invest LP ("TAS Co") representing a 34.8% partnership interest, with an additional $3,875 remaining commitment. TAS Co has a 24% interest in urban residential and mixed use property investments that are being developed under a repositioning plan.

During 2019, the Company invested $18,000 in Class A securitization notes (the "Securitization Notes"). The issuer of the Securitization Notes is a wholly-owned subsidiary of MCAP. The Securitization Notes may have the right to future fee income from the renewals of a securitized insured mortgage portfolio. The expected final distribution date is no earlier than November 15, 2022. During Q3 2021, the Company received $2,141 (Q3 2020 - $1,881) in principal repayment and recorded $192 (Q3 2020 - $289) of interest income at the contractual rate of the Securitization Notes in non-marketable securities on the interim consolidated statements of income.

8. Equity Investment in MCAP Commercial LP

At September 30, 2021, the Company held a 13.94% equity interest in MCAP (December 31, 2020 - 14.03%), representing 4.0 million units held by MCAN (December 31, 2020 - 4.0 million) of the 28.7 million total outstanding MCAP partnership units (December 31, 2020 - 28.5 million).

The Company recognizes equity income from MCAP on a one-month lag such that equity income from MCAP is based on MCAP's net income for the periods ended August 31 adjusted for the impacts of significant transactions or events up to the date of our financial statements.

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.

For the Periods Ended September 30	**Q3 2021**	**Q3 2020**	**YTD 2021**	**YTD 2020**
Balance, beginning of period	$ 93,314	$ 72,710	$ 88,263	$ 69,844
Equity income	5,606	17,963	19,207	24,540
Dilution gain	—	33	326	33
Distributions received	(4,119)	(1,568)	(12,995)	(5,279)
Balance, end of period	**$ 94,801**	**$ 89,138**	**$ 94,801**	**$ 89,138**

Selected MCAP financial information is as follows:

At	**August 31 2021**	**November 30 2020**
MCAP's balance sheet:		
Assets	$ 44,772,517	$ 41,506,506
Liabilities	44,081,120	40,866,696
Equity	691,397	639,810

For the Periods Ended August 31	**Q3 2021**	**Q3 2020**	**YTD 2021**	**YTD 2020**
MCAP's revenue and net income:				
Revenue	$ 227,944	$ 314,847	$ 621,864	$ 569,193
Net income	$ 40,707	$ 127,983	$ 137,966	$ 174,823

(Dollar amounts in thousands except for per share amounts)

9. Securitization Activities

The Company is an NHA MBS issuer, which involves the securitization of insured mortgages to create MBS. The Company issues MBS through its internal market MBS program and the Canada Housing Trust Canada Mortgage Bonds ("CMB") program.

The Company may sell MBS to third parties and may also sell the net economics and cash flows from the underlying mortgages ("interest-only strips") to third parties. The MBS portion of the mortgage represents the core securitized mortgage principal and the right to receive coupon interest at a specified rate. The interest-only strips represent the right to receive excess cash flows after satisfying the MBS coupon interest payment and any other expenses such as mortgage servicing.

Pursuant to the NHA MBS program, MBS investors receive monthly cash flows consisting of interest and scheduled and unscheduled principal payments. Canada Mortgage and Housing Corporation ("CMHC") makes principal and interest payments in the event of any MBS default by the issuer, thus fulfilling the Timely Payment guarantee to investors. All MBS issuers (including the Company) are required to remit scheduled mortgage principal and interest payments to Computershare, the designated Central Payor and Transfer Agent ("CPTA") for the program, even if these mortgage payments have not been collected from mortgagors. Similarly, at the maturity of the MBS pools that have been issued by the Company, any outstanding principal must be paid to the CPTA. If the Company fails to make a scheduled principal and interest payment to CPTA, CMHC may enforce the assignment of the mortgages included in all MBS pools in addition to other assets backing the MBS issued. In the case of mortgage defaults, MCAN is required to make scheduled principal and interest payments to the CPTA until legal enforcement proceedings are terminated at which time MCAN is required to transfer the full amount of any outstanding principal to the CPTA as part of the Timely Payment obligation and then place the mortgage/property through the insurance claims process to recover any losses. These defaults may result in cash flow timing mismatches that may marginally increase funding and liquidity risks.

During Q3 2021, MCAN securitized $179,498 insured single family mortgages through the market MBS and CMB programs (Q3 2020 - $217,866).

Transferred financial assets that are not derecognized in their entirety

Since MCAN neither transfers nor retains substantially all of the risks and rewards of ownership on sale and retains significant continuing involvement through the provision of the Timely Payment obligation with respect to the majority of the market MBS program and single family CMB program sale transactions, MCAN continues to recognize the securitized mortgages (Note 10) and financial liabilities from securitization (Note 11) on its interim consolidated balance sheet.

Transferred financial assets that are derecognized in their entirety but where the Company has a continuing involvement

MCAN securitizes insured multi family mortgages through the market MBS program and CMB program, and in some cases, sells MBS and the associated interest-only strips to third parties. In these instances, where MCAN transfers control of the asset or substantially all risks and rewards on sale, MCAN derecognizes the mortgages from its interim consolidated balance sheets. MCAN's continuing involvement is the ongoing obligation in its role as MBS issuer to service the mortgages and MBS until maturity.

In these circumstances, the derecognized MBS balance related to the market MBS program and CMB program are not reflected as an asset or liability on MCAN's interim consolidated balance sheets. The derecognized MBS mature as follows:

	2021	2025	2026	2029	2030	Total
At September 30, 2021	$ 34,461	$ 16,270	$ 8,755	$ 13,630	$ 33,957	**$ 107,073**

(Dollar amounts in thousands except for per share amounts)

10. Mortgages - Securitized

(a) Summary

	Gross	Allowance			Net
	Principal	Stage 1	Stage 2	Total	Principal
At September 30, 2021	**$ 1,530,569**	$ 4	$ —	**$ 4**	**$ 1,530,565**
At December 31, 2020	**1,135,770**	23	2	**25**	**1,135,745**

(b) Mortgages by Risk Rating

The Company's internal risk rating system involves judgment and combines multiple factors to arrive at a borrower-specific score to assess the borrower's probability of default and ultimately classify the mortgage into one of the categories listed in the table below. For single family mortgages, these factors include, but are not limited to, the loan to value ratio, the borrower's ability to service debt, property location and credit score. For a definition of internal risk ratings, refer to Note 6.

The table below shows the credit quality of the Company's securitized mortgage portfolio based on the Company's internal risk rating system and stage classification. The Company's policy that outlines whether ECLs are calculated on an impaired or performing basis is discussed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2020.

At	September 30, 2021				December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Insured Performing	$1,454,376	$ 72,371	$ —	$1,526,747	$1,063,294	$ 66,791	$ —	$1,130,085
Monitored/Arrears	1,863	1,590	—	3,453	2,650	2,538	—	5,188
Impaired/Default	—	—	365	365	—	—	472	472
	$1,456,239	**$ 73,961**	**$ 365**	**$1,530,565**	**$1,065,944**	**$ 69,329**	**$ 472**	**$1,135,745**

(c) Mortgage allowances

The allowance for credit losses on the securitized portfolio at September 30, 2021 was $4 (December 31, 2020 - $25). The provision for credit losses recorded during Q3 2021 was $nil (Q3 2020 - recovery of credit losses of $1).

(d) Arrears and impaired mortgages

Securitized mortgages past due but not impaired are as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	Total
At September 30, 2021	$ 2,773	$ 680	$ —	**$ 3,453**
At December 31, 2020	3,403	336	1,449	**5,188**

Impaired securitized mortgages are as follows:

At	September 30, 2021	December 31, 2020
Alberta	$ 262	$ 175
Atlantic Provinces	103	60
Quebec	—	237
	$ 365	**$ 472**

(Dollar amounts in thousands except for per share amounts)

(e) Geographic analysis

At	September 30, 2021		December 31, 2020	
Ontario	$ 1,324,001	86.6 %	$ 956,980	84.3 %
Alberta	107,747	7.0 %	95,958	8.4 %
British Columbia	53,984	3.5 %	36,082	3.2 %
Quebec	11,130	0.7 %	11,840	1.0 %
Atlantic Provinces	23,774	1.6 %	25,124	2.2 %
Other	9,929	0.6 %	9,761	0.9 %
	$ 1,530,565	**100.0 %**	**$ 1,135,745**	**100.0 %**

(f) Other information

Capitalized transaction costs are included in mortgages and are amortized using the EIM. At September 30, 2021, the unamortized capitalized transaction cost balance was $12,121 (December 31, 2020 - $9,016).

The fair value of the securitized mortgage portfolio at September 30, 2021 was $1,566,749 (December 31, 2020 - $1,194,167).

Other assets of $8,690 at September 30, 2021 (December 31, 2020 - $7,051), consist of interest-only strips from the Company's CMB insured multi family securitizations and prepaid expenses.

11. Financial Liabilities from Securitization

Total financial liabilities from securitization mature as follows:

At	September 30, 2021	December 31, 2020
2021	$ 22,281	$ 72,233
2022	69,690	87,352
2023	69,975	85,789
2024	220,503	248,159
2025	598,909	649,076
2026	558,085	—
	$ 1,539,443	**$ 1,142,609**

12. Share Capital

For the Periods Ended September 30	2021		2020	
	Number of Shares	Share Capital	Number of Shares	Share Capital
Balance, January 1	24,727,145	$ 234,635	24,215,383	$ 228,008
Issued				
Dividend reinvestment plan	271,615	4,445	311,136	4,051
Rights offering	1,306,467	20,275	—	—
Stock dividend	1,223,499	21,096	—	—
Executive Share Purchase Plan	30,880	548	94,378	1,185
Balance, June 30	27,559,606	280,999	24,620,897	233,244
Issued				
Dividend reinvestment plan	86,604	1,397	106,248	1,391
Balance, September 30	**27,646,210**	**$ 282,396**	**24,727,145**	**$ 234,635**

The authorized share capital of the Company consists of unlimited common shares with no par value.

The Company issues shares under the dividend reinvestment plan ("DRIP") out of treasury at the weighted average trading price for the five days preceding such issue less a discount of 2%.

(Dollar amounts in thousands except for per share amounts)

On February 23, 2021, the Board declared a special stock dividend of $0.85 per share paid on March 31, 2021 to shareholders of record as of March 15, 2021. The Company issued 1,223,499 common shares out of treasury to shareholders (with fractional shares paid in cash) at the weighted average trading price for the five days preceding the record date of $17.3178.

On May 5, 2021, the Company announced a rights offering that closed on June 10, 2021. The Company issued 1,306,467 common shares out of treasury to shareholders at a price of $15.65 per common share. Total proceeds net of share issuance costs of $171 was $20,275.

On August 20, 2021, the Company filed a Base Shelf prospectus allowing it to make public offerings of up to $400,000 of debt or equity securities during the 25 month period that it is effective. As of November 4, 2021, there have been no offerings of securities under the Base Shelf prospectus.

On October 6, 2021, the Company filed a Prospectus Supplement to the Base Shelf prospectus establishing an at-the-market equity program ("ATM Program") to issue up to $30,000 common shares to the public from time to time over a 2 year period at the market prices prevailing at the time of sale. The volume and timing of distributions under the ATM Program will be determined at MCAN's sole discretion. As of November 4, 2021, there have been no sales of common shares under the ATM Program.

The Company had no potentially dilutive instruments at September 30, 2021 or December 31, 2020.

13. Dividends

On November 4, 2021, the Board declared a quarterly cash dividend of $0.34 per share to be paid on January 4, 2022 to shareholders of record as of December 15, 2021.

14. Mortgage Expenses

Corporate assets

For the Periods Ended September 30	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Mortgage servicing expense	$ 1,020	$ 861	$ 2,589	$ 2,473
Letter of credit expense	159	147	501	440
Other mortgage expenses	222	122	593	375
	$ 1,401	**$ 1,130**	**$ 3,683**	**$ 3,288**

Letter of credit expense relates to outstanding letters of credit under the Company's credit facility, discussed in Note 17.

Securitization assets

Mortgage expenses associated with securitization assets for Q3 2021 of $890 (Q3 2020 - $558) and year to date 2021 of $2,442 (2020 - $1,540) consist primarily of mortgage servicing expenses.

15. Provision for (Recovery of) Credit Losses

For the Periods Ended September 30	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Corporate portfolio:					
Stage 1 - provisions for (recoveries of) performing mortgages	6	$ (17)	$ 67	$ 452	$ 1,680
Stage 2 - provisions for (recoveries of) performing mortgages	6	(128)	(111)	(668)	322
Stage 3 - provisions for (recoveries of) impaired mortgages	6	22	44	(73)	49
		(123)	—	(289)	2,051
Other provisions (recoveries), net		1	12	1	4
Provision for (recovery of) credit losses		**(122)**	**12**	**(288)**	**2,055**
Securitized portfolio:					
Stage 1 - provisions for (recoveries of) performing mortgages	10	—	—	(18)	10
Stage 2 - provisions for (recoveries of) performing mortgages	10	—	(1)	(2)	1
Provision for (recovery of) credit losses		**$ —**	**$ (1)**	**$ (20)**	**$ 11**

(Dollar amounts in thousands except for per share amounts)

16. Related Party Disclosures

Transactions with MCAP

In Q3 2021, the Company entered into related party transactions with MCAP as follows:

- Purchase of mortgage origination and administration services of $1,380 (Q3 2020 - $1,053)
- Purchase of uninsured single family mortgages of $9,970 (Q3 2020 - $6,017)
- In Q2 2021, the Company entered into an agreement with MCAP Securities Limited Partnership, a wholly owned subsidiary of MCAP, whereby the Company can sell to MCAP Securities Limited Partnership insured single family mortgage commitments. The Company sold $55,793 in commitments in Q3 2021 under this agreement and received revenue of $604.

All related party transactions noted above were in the normal course of business.

Share Unit Plans

The tables below outline activity relating to the Restricted Share Units Plan ("RSU") and the Performance Share Units Plan ("PSU").

For the Periods Ended September 30	Q3 2021		Q3 2020		YTD 2021		YTD 2020	
	RSU	PSU	RSU	PSU	RSU	PSU	RSU	PSU
Units outstanding, beginning of period	108,695	91,385	78,316	70,574	78,314	70,290	50,456	78,853
New units granted	—	—	—	—	29,813	29,863	43,604	28,999
Units issued as dividends	2,047	1,721	1,972	1,690	10,898	8,863	7,134	6,839
Units vested	—	—	—	—	(2,135)	(9,743)	(3,434)	(26,447)
Units forfeited	—	—	(1,974)	(1,974)	(6,148)	(6,167)	(19,446)	(17,954)
Units outstanding, end of period	**110,742**	**93,106**	**78,314**	**70,290**	**110,742**	**93,106**	**78,314**	**70,290**
Compensation expense for the period	$ 213	$ 235	$ 93	$ 181	$ 491	$ 648	$ 84	$ 271
Outstanding liability, end of period					$ 940	$ 1,182	$ 321	$ 401

Of the total outstanding PSU units at Q3 2021 and Q3 2020, the Company has recorded a liability on all of these units.

Executive Share Purchase Plan

At September 30, 2021, $2,068 of loans were outstanding under the Executive Share Purchase Plan (the "Share Purchase Plan") (December 31, 2020 - $1,742). The shares are pledged as security for the loans and had a fair value of $3,118 at September 30, 2021 (December 31, 2020 - $2,589). In Q3 2021, MCAN recognized $18 of interest income (Q3 2020 - $16) on the Share Purchase Plan loans.

Employee Share Ownership Plan

The Company has an Employee Share Ownership Plan whereby employees can elect to purchase common shares of the Company up to 6% of their annual earnings. The Company matches 50% of each employee's contribution amount. During each pay period, all contributions are used by the plan's trustee to purchase the common shares in the open market.

17. Credit Facilities

The Company has a demand loan revolver facility from a Canadian Schedule I Chartered bank bearing interest at prime plus 0.75% (3.20%) (December 31, 2020 - prime plus 0.75% (3.20%)). The facility limit is $120,000. On July 21, 2021, the facility limit was temporarily increased to $160,000 until September 30, 2021. The facility is due and payable upon demand. At September 30, 2021, the outstanding loan payable was $5,000 (December 31, 2020 - $nil).

Under the facility, there is a sublimit for issued letters of credit. Letters of credit have a term of up to one year from the date of issuance, plus a renewal clause providing for an automatic one-year extension at the maturity date subject to the bank's option to cancel by written notice at least 30 days prior to the letters of credit expiry date. The letters of credit are for the purpose of supporting developer obligations to municipalities in conjunction with residential construction loans. If the developer defaults in its obligation to the municipalities, the municipalities may draw on the letters of credit, in which case the Company is obligated to fund the letters of credit. At September 30, 2021, there were letters of credit in the amount of $45,384 issued (December 31, 2020 - $39,105) and additional letters of credit in the amount of $19,876 committed but not issued (December 31, 2020 - $15,774).

The Company has an agreement with a Canadian Schedule I Chartered bank that enables the Company to execute repurchase agreements for liquidity purposes. This facility allows the Company to encumber certain eligible securities for financing purposes. As part of the agreement, the Company 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. At September 30, 2021, the outstanding facility balance was $nil (December 31, 2020 - $nil).

In May 2021, the Company signed a demand loan credit agreement with a Canadian Schedule I Chartered bank for a $50,000 senior secured mortgage warehouse facility that bears interest at either prime plus 0.05% or BAs plus 1.05%. The facility is used to fund insured single family mortgages prior to securitization activities. At September 30, 2021, the outstanding loan payable was $47,800.

18. Capital Management

The Company's primary capital management objectives are to maintain sufficient capital for regulatory purposes and to earn acceptable and sustainable risk-weighted returns. For further information, refer to the "Capital Management" section of the MD&A.

Regulatory capital

As a Loan Company under the Trust Act, OSFI oversees the adequacy of the Company's capital. For this purpose, OSFI has imposed minimum capital to risk-weighted asset ratios and a minimum leverage ratio.

For further information on the Company's regulatory capital management, refer to the "Regulatory Capital" sub-section of the "Capital Management" section of the MD&A.

(Dollar amounts in thousands except for per share amounts)

At	September 30, 2021	December 31, 2020
Regulatory ratios (OSFI)		
Share capital	$ 282,396	$ 234,635
Contributed surplus	510	510
Retained earnings	111,413	111,367
Deduction for equity investment in MCAP [1]	(55,284)	(53,475)
Eligible stage 1 and stage 2 allowances [3]	856	1,364
Common Equity Tier 1 and Tier 1 Capital [3] (A)	**339,891**	**294,401**
Tier 2 Capital [3]	4,978	4,707
Total Capital [3]	**$ 344,869**	**$ 299,108**
Total exposures/Regulatory assets		
Consolidated assets	$ 3,604,261	$ 2,728,715
Less: deduction for equity investment in MCAP [1]	(55,284)	(53,475)
Other adjustments [2]	4,969	3,018
Total on-balance sheet exposures	**3,553,946**	**2,678,258**
Mortgage and investment funding commitments	522,268	394,139
Less: conversion to credit equivalent amount (50%)	(261,134)	(197,070)
Letters of credit	45,384	39,105
Less: conversion to credit equivalent amount (50%)	(22,692)	(19,553)
Off-balance sheet items	**283,826**	**216,621**
Total exposures/Regulatory assets (B)	**$ 3,837,772**	**$ 2,894,879**
Leverage ratio (A / B)	**8.86%**	**10.17%**

[1] The deduction for the equity investment in MCAP is equal to the equity investment balance less 10% of shareholders' equity and eligible stage 1 and stage 2 allowances.
[2] Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.
[3] Effective March 31, 2020, the total capital ratio reflects the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital are included in CET 1 capital. The adjustment to CET 1 capital will be measured each quarter as the increase, if any, in stage 1 and stage 2 allowances compared to the corresponding allowances at December 31, 2019. The increase, if any, is subject to a scaling factor that will decrease over time and is set at 70% in fiscal 2020, 50% in fiscal 2021 and 25% in fiscal 2022.

Income tax capital

As a MIC under the Tax Act, the Company is limited to an income tax liabilities to capital ratio of 5:1 (or an income tax assets to capital ratio of 6:1), based on the non-consolidated balance sheet in the MIC entity measured at its tax value. For further information on the Company's income tax capital management, refer to the "Income Tax Capital" sub-section of the "Capital Management" section of the MD&A.

(Dollar amounts in thousands except for per share amounts)

19. Financial Instruments

The majority of the Company's consolidated balance sheet consists of financial instruments, and the majority of net income is derived from the related income, expenses, gains and losses. Financial instruments include cash and cash equivalents, cash held in trust, marketable securities, mortgages, non-marketable securities, other loans, financial liabilities from securitization, term deposits and demand loan payable.

To measure financial instruments that are carried at fair value on the consolidated balance sheets, or for which fair value is disclosed, the following fair value hierarchy is used based on the inputs to the valuation:

Level 1: Quoted market prices observed in active markets for identical assets and liabilities.
Level 2: Directly or indirectly observable inputs for the assets or liabilities not included in level 1.
Level 3: Unobservable market inputs.

Financial instruments are classified at the lowest level of the hierarchy for which a significant input has been used. The fair value hierarchy requires the use of observable market inputs whenever obtainable.

The following tables summarize the fair values of financial assets measured at fair value through profit or loss ("FVPL") and financial assets and liabilities measured at amortized cost for which fair values are disclosed.

At September 30, 2021	Level 1	Level 2	Level 3	Total	Carrying Value
Assets measured at FVPL					
Marketable securities	$ 70,938	$ —	$ —	$ 70,938	$ 70,938
Non-marketable securities - TAS [5]	—	—	3,537	3,537	3,537
Non-marketable securities - TAS Co [5]	—	—	1,125	1,125	1,125
Non-marketable securities - KSSMF [1]	—	—	2,638	2,638	2,638
Non-marketable securities - KSHYF [1]	—	—	44,356	44,356	44,356
Non-marketable securities - Securitization Notes [2]	—	—	8,545	8,545	8,545
	$ 70,938	**$ —**	**$ 60,201**	**$ 131,139**	**$ 131,139**
Assets measured at amortized cost for which fair values are disclosed					
Cash and cash equivalents	$ 123,219	$ —	$ —	$ 123,219	$ 123,219
Mortgages - corporate [3]	—	—	1,664,053	1,664,053	1,657,168
Other assets - other loans [4]	—	—	3,795	3,795	3,795
Securitization program cash held in trust	45,687	—	—	45,687	45,687
Mortgages - securitized [3]	—	—	1,566,749	1,566,749	1,530,565
	$ 168,906	**$ —**	**$ 3,234,597**	**$ 3,403,503**	**$ 3,360,434**
Liabilities measured at amortized cost for which fair values are disclosed					
Term deposits [6]	$ —	$ —	$ 1,612,522	$ 1,612,522	$ 1,606,785
Demand loan payable [5]	—	—	52,800	$ 52,800	52,800
Other liabilities - corporate [5]	—	—	10,914	$ 10,914	10,914
Financial liabilities from securitization [7]	—	—	1,540,928	1,540,928	1,539,443
	$ —	**$ —**	**$ 3,217,164**	**$ 3,217,164**	**$ 3,209,942**

(Dollar amounts in thousands except for per share amounts)

At December 31, 2020	Level 1	Level 2	Level 3	Total	Carrying Value
Assets measured at FVPL					
Marketable securities	$ 49,583	$ 30	$ —	$ 49,613	$ 49,613
Non-marketable securities - KSHYF [1]	—	—	43,583	43,583	43,583
Non-marketable securities - Securitization Notes [2]	—	—	12,534	12,534	12,534
	$ 49,583	**$ 30**	**$ 56,117**	**$ 105,730**	**$ 105,730**
Assets measured at amortized cost for which fair values are disclosed					
Cash and cash equivalents	$ 88,929	$ —	$ —	$ 88,929	$ 88,929
Mortgages - corporate [3]	—	—	1,266,785	1,266,785	1,252,762
Other assets - other loans [4]	—	—	2,382	2,382	2,382
Securitization program cash held in trust	29,610	—	—	29,610	29,610
Mortgages - securitized [3]	—	—	1,194,167	1,194,167	1,135,745
	$ 118,539	**$ —**	**$ 2,463,334**	**$ 2,581,873**	**$ 2,509,428**
Liabilities measured at amortized cost for which fair values are disclosed					
Term deposits [6]	$ —	$ —	$ 1,259,433	$ 1,259,433	$ 1,234,769
Other liabilities - corporate [5]	—	—	4,825	4,825	4,825
Financial liabilities from securitization [7]	—	—	1,164,472	1,164,472	1,142,609
	$ —	**$ —**	**$ 2,428,730**	**$ 2,428,730**	**$ 2,382,203**

[1] *Fair value is based on the redemption value.*
[2] *Fair value of investment in securitized notes is determined by discounting the expected future cash flows of the future fee income from the renewals of a securitized insured mortgage portfolio. The significant unobservable input is the discount rate.*
[3] *Fair value of corporate and securitized fixed rate mortgages are calculated based on discounting the expected future cash flows of the mortgages, adjusting for credit risk and prepayment assumptions at current market rates for offered mortgages based on term, contractual maturities and product type. For variable rate mortgages, fair value is assumed to equal their carrying amount since there are no fixed spreads. The Company classifies its mortgages as Level 3 given the fact that although many of the inputs to the valuation models used are observable, non-observable inputs include the discount rate and the assumed level of prepayments.*
[4] *Fair value is assumed to be the carrying value as underlying loans are variable rate.*
[5] *The carrying value of the asset/liability approximates fair value.*
[6] *As term deposits are non-transferable by the deposit holders, there is no observable market. As such, the fair value of the term deposits is determined by discounting expected future cash flows of the deposits at current offered rates for deposits with similar terms.*
[7] *Fair value of financial liabilities from securitization is determined using current market rates for CMB and MBS.*

The following table shows the continuity of Level 3 financial assets measured at FVPL:

For the Periods Ended September 30	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Balance, beginning of period	$ 60,192	$ 59,540	$ 56,117	$ 93,689
Advances / Purchases	2,150	—	8,073	1,032
Repayments / Dispositions	(2,141)	(2,200)	(3,989)	(37,381)
Balance, end of period	**$ 60,201**	**$ 57,340**	**$ 60,201**	**$ 57,340**

Risk management

The types of risks to which the Company is exposed include but are not limited to liquidity and funding risk, credit risk, interest rate risk and market risk. The Company's enterprise risk management framework includes policies, guidelines and procedures, with oversight by senior management and the Board. These policies are developed and implemented by management and reviewed and approved periodically by the Board. The nature of these risks and how they are managed is provided in the "Risk Management" section of the MD&A. The shaded sections of the MD&A relating to liquidity and funding, credit, interest rate and market risks inherent in financial instruments form an integral part of these interim consolidated financial statements.

20. Commitments and Contingencies

MCAP was actively defending a claim arising from a power of sale process with respect to a defaulted land development loan previously funded by MCAN. The plaintiff had claimed improvident sale and had claimed damages of approximately $6,000. On December 11, 2020, a trial on this matter resulted in a court judgment to dismiss the claim with $300 in costs to be paid by the plaintiff. On January 11, 2021, the plaintiff appealed. On March 24, 2021, the Court dismissed the appeal. Based on this, the Company does not have any material liability arising out of the indemnification obligation to MCAP and accordingly has not recorded a provision.

The shaded section of the MD&A relating to commitment liquidity risk forms an integral part of these interim consolidated financial statements.

21. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year. There was no impact to the financial position or net income as a result of these reclassifications.

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

Brian Chu
Founding Partner, Bogart Robertson & Chu LLP
Member of Conduct Review, Corporate Governance and Human Resources Committee
Member of Enterprise Risk Management and Compliance Committee
Director since May 2021

John Coke
Corporate Director, MCAN Mortgage Corporation
Member of Audit Committee
Member of Enterprise Risk Management and Compliance Committee
Director since May 2021

Glenn Doré
President, Teff Administration Inc.
Member of Audit Committee
Member of Conduct Review, Corporate Governance and Human Resources Committee
Director since May 2020

Philip Gillin
Corporate Director, MCAN Mortgage Corporation
Member of Audit Committee
Chair of Enterprise Risk Management and Compliance Committee
Director since May 2020

Gordon Herridge
Corporate Director, MCAN Mortgage Corporation
Chair of Audit Committee
Member of Conduct Review, Corporate Governance and Human Resources Committee
Director since May 2018

Gaelen Morphet
Chief Investment Officer, Cinnamon Investments ULC
Chair of Conduct Review, Corporate Governance and Human Resources Committee
Member of Enterprise Risk Management and Compliance Committee
Director since January 2018

Derek Sutherland
Chair of the Board, MCAN Mortgage Corporation
President, Canadazil Capital Inc.
Director since May 2017

Karen Weaver
President and Chief Executive Officer, MCAN Mortgage Corporation
Director since November 2011

EXECUTIVE OFFICERS

Karen Weaver
President and Chief Executive Officer

Floriana Cipollone
Vice President and Chief Financial Officer

Avish Buck
Vice President, Residential Lending

Carl Brown
Vice President, Investments

Emily Randle
Vice President and Chief Risk Officer

Mike Jensen
Vice President and Chief Compliance Officer
(Chief Anti Money Laundering & Privacy Officer)

Brenna McGibney
Vice President, Human Resources and Communications

Sylvia Pinto
Vice President, Corporate Secretary & Governance Officer

Milica Pejic
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Vice President, Information Technology

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General Information
For general enquiries about MCAN Mortgage Corporation, please write to Ms. Sylvia Pinto, Corporate Secretary & Governance Officer (head office details above) or e-mail mcanexecutive@mcanmortgage.com.

Dividend Reinvestment Plan ("DRIP")
For further information regarding MCAN's Dividend Reinvestment Plan, please visit: www.mcanmortgage.com/investors/dividends.

An Enrolment Form may be obtained at any time upon written request addressed to the Plan Agent, Computershare. Registered Participants may also obtain Enrolment Forms online at www-us.computershare.com/investor.

Shareholders
For dividend information, change in share registration or address, lost certificates, estate transfers, or to advise of duplicate mailings, please call MCAN Mortgage Corporation's Transfer Agent and Registrar, Computershare (see left for contact).

Report Copies
This MCAN Mortgage Corporation 2021 Third Quarter Report is available for viewing/printing on our website at www.mcanmortgage.com, and also on SEDAR at www.sedar.com.

To request a printed copy, please contact Ms. Sylvia Pinto, Corporate Secretary & Governance Officer, or e-mail mcanexecutive@mcanmortgage.com.

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