MCAN Financial Group

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

March 31, 2022

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MCAN Mortgage Corporation has been doing business as ("d/b/a") MCAN Financial Group ("MCAN", the "Company" or "we") effective April 1, 2022. 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 ended March 31, 2022 and the audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2021. These items and additional information regarding MCAN, 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.mcanfinancial.com. Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2021 remain substantially unchanged. Information has been presented as of May 9, 2022.

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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;
- the performance of our investments;
- factors affecting our competitive position within the housing lending market;
- international trade and geopolitical uncertainties and their impact on the Canadian economy, including the Russia/Ukraine conflict;
- 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 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;
- investor appetite for securitization products;
- 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, and market conditions relating to, our equity and other investments.

The COVID-19 pandemic has resulted in uncertainty relating to 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. The duration, extent and severity of the impact the COVID-19 pandemic or any further variants or outbreaks, including measures to prevent their spread and related government actions adopted in response thereto, will have on our business continues to be uncertain and difficult to predict.

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, 2021, 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 - Q1 2022

(in thousands except for per share amounts) At and for the Quarters Ended	March 31 2022	December 31 2021	Change (%)	March 31 2021	Change (%)
Income Statement Highlights					
Equity income from MCAP Commercial LP	$ 5,219	$ 6,246	(16%)	$ 6,742	(23%)
Net investment income - corporate assets	$ 20,758	$ 21,875	(5%)	$ 20,205	3%
Net investment income - securitization assets	$ 1,115	$ 1,408	(21%)	$ 1,545	(28%)
Net income	$ 15,479	$ 16,070	(4%)	$ 15,924	(3%)
Basic and diluted earnings per share	$ 0.52	$ 0.57	(9%)	$ 0.64	(19%)
Dividends per share - cash	$ 0.36	$ 0.34	6%	$ 0.34	6%
Dividends per share - stock	$ 0.97	$ —	n/a	$ 0.85	14%
Next quarter's dividend per share - cash	$ 0.36				
Return on average shareholders' equity [1]	14.19 %	15.39 %	(1.20%)	18.15 %	(3.96%)
Taxable income per share [2]	$ 0.35	$ 0.32	9%	$ 0.85	(59%)
Spreads					
Spread of corporate mortgages over term deposit interest and expenses [1]	2.59 %	2.70 %	(0.11%)	2.76 %	(0.17%)
Spread of securitized mortgages over liabilities [1]	0.54 %	0.62 %	(0.08%)	0.81 %	(0.27%)
Average term to maturity (in months)					
Mortgages - corporate	13.8	13.0	6%	13.7	1%
Term deposits	17.7	18.5	(4%)	17.7	—%
Balance Sheet Highlights					
Total assets	$ 3,999,647	$ 3,808,070	5%	$ 2,976,687	34%
Mortgages - corporate	$ 1,901,940	$ 1,806,146	5%	$ 1,286,890	48%
Mortgages - securitized	$ 1,658,839	$ 1,583,697	5%	$ 1,326,519	25%
Total liabilities	$ 3,557,802	$ 3,374,812	5%	$ 2,619,818	36%
Shareholders' equity	$ 441,845	$ 433,258	2%	$ 356,869	24%
Capital Ratios					
Income tax assets to capital ratio [2]	5.53	5.29	5%	5.05	10%
CET 1 & Tier 1 capital ratio [4]	19.32 %	20.26 %	(0.94%)	21.65 %	(2.33%)
Total capital ratio [4]	19.57 %	20.54 %	(0.97%)	22.02 %	(2.45%)
Leverage ratio [3]	8.96 %	9.41 %	(0.45%)	9.69 %	(0.73%)
Credit Quality					
Impaired mortgage ratio (corporate) [1]	0.03 %	0.05 %	(0.02%)	1.10 %	(1.07)%
Impaired mortgage ratio (total) [1]	0.02 %	0.03 %	(0.01%)	0.55 %	(0.53)%
Mortgage Arrears					
Corporate	$ 9,981	$ 10,826	(8%)	$ 26,514	(62%)
Securitized	4,124	4,865	(15%)	4,710	(12%)
Total	$ 14,105	$ 15,691	(10%)	$ 31,224	(55%)
Common Share Information (end of period)					
Number of common shares outstanding	31,373	29,621	6%	26,135	20%
Book value per common share [1]	$ 14.08	$ 14.63	(4%)	$ 13.65	3%
Common share price - close	$ 17.85	$ 17.23	4%	$ 16.46	8%
Market capitalization	$ 560,008	$ 510,370	10%	$ 430,182	30%

[1] Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.
[2] For further information refer to the "Taxable Income" and "Income Tax Capital" sections of this MD&A. Tax balances are calculated in accordance with the Tax Act.
[3] This measure has been calculated in accordance with OSFI's Leverage Requirements guidelines. 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] These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines. 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 was 70% in fiscal 2020, 50% in fiscal 2021 and is set at 25% in fiscal 2022. Prior period ratios have not been restated.

Table 2: Financial Statement Highlights - Quarterly

(in thousands except per share amounts, % and where indicated)	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20
Income Statement Highlights								
Equity income from MCAP Commercial LP	$ 5,219	$ 6,246	$ 5,606	$ 6,859	$ 6,742	$ 9,378	$17,963	$ 3,143
Net investment income - corporate assets	$20,758	$21,875	$18,976	$24,390	$20,205	$25,704	$26,963	$12,649
Net investment income - securitization assets	$ 1,115	$ 1,408	$ 1,443	$ 1,570	$ 1,545	$ 1,694	$ 1,149	$ 389
Net income	$15,479	$16,070	$12,990	$19,378	$15,924	$22,086	$22,741	$ 7,796
Basic and diluted earnings per share	$ 0.52	$ 0.57	$ 0.47	$ 0.73	$ 0.64	$ 0.89	$ 0.92	$ 0.32
Dividends per share - cash	$ 0.36	$ 0.34	$ 0.34	$ 0.34	$ 0.34	$ 0.34	$ 0.34	$ 0.34
Dividends per share - stock	$ 0.97	$ —	$ —	$ —	$ 0.85	$ —	$ —	$ —
Return on average shareholders' equity [1]	14.19 %	15.39 %	13.22 %	21.28 %	18.15 %	25.92 %	28.04 %	9.96 %
Taxable income per share [2]	$ 0.35	$ 0.32	$ 0.57	$ 0.89	$ 0.85	$ 1.05	$ 0.48	$ 0.21
Spreads								
Spread of corporate mortgages over term deposit interest and expenses [1]	2.59 %	2.70 %	2.77 %	2.89 %	2.76 %	2.76 %	2.63 %	2.48 %
Spread of securitized mortgages over liabilities [1]	0.54 %	0.62 %	0.65 %	0.72 %	0.81 %	0.89 %	0.81 %	0.44 %
Average term to maturity (in months)								
Mortgages - corporate	13.8	13.0	13.9	12.8	13.7	14.2	13.5	12.3
Term deposits	17.7	18.5	19.9	19.6	17.7	18.3	19.2	18.7
Balance Sheet Highlights ($ million)								
Total assets	$ 4,000	$ 3,808	$ 3,604	$ 3,305	$ 2,977	$ 2,729	$ 2,566	$ 2,248
Mortgages - corporate	$ 1,902	$ 1,806	$ 1,657	$ 1,401	$ 1,287	$ 1,253	$ 1,310	$ 1,119
Mortgages - securitized	$ 1,659	$ 1,584	$ 1,531	$ 1,435	$ 1,327	$ 1,136	$ 961	$ 812
Total liabilities	$ 3,558	$ 3,375	$ 3,210	$ 2,916	$ 2,620	$ 2,382	$ 2,233	$ 1,931
Shareholders' equity	$ 442	$ 433	$ 394	$ 389	$ 357	$ 347	$ 333	$ 317
Capital Ratios								
Income tax assets to capital ratio [2]	5.53	5.29	5.50	5.05	5.05	5.09	5.44	4.95
CET 1 & Tier 1 capital ratios [4]	19.32 %	20.26 %	19.45 %	21.91 %	21.65 %	21.67 %	20.45 %	23.01 %
Total capital ratio [4]	19.57 %	20.54 %	19.73 %	22.24 %	22.02 %	22.02 %	20.80 %	23.40 %
Leverage ratio [3]	8.96 %	9.41 %	8.86 %	9.59 %	9.69 %	10.17 %	10.26 %	11.46 %
Credit Quality								
Impaired mortgage ratio (corporate) [1]	0.03 %	0.05 %	0.06 %	0.11 %	1.10 %	0.30 %	0.27 %	1.26 %
Impaired mortgage ratio (total) [1]	0.02 %	0.03 %	0.04 %	0.07 %	0.55 %	0.18 %	0.17 %	0.77 %
Mortgage Arrears								
Corporate	$ 9,981	$10,826	$ 8,794	$ 8,968	$26,514	$24,288	$10,229	$36,083
Securitized	4,124	4,865	3,818	7,359	4,710	5,660	3,522	4,005
Total	$14,105	$15,691	$12,612	$16,327	$31,224	$29,948	$13,751	$40,088
Common Share Information (end of period)								
Number of common shares outstanding	31,373	29,621	27,646	27,560	26,135	24,727	24,727	24,621
Book value of common share [1]	$ 14.08	$ 14.63	$ 14.26	$ 14.13	$ 13.65	$ 14.01	$ 13.46	$ 12.88
Common share price - close	$ 17.85	$ 17.23	$ 18.00	$ 17.29	$ 16.46	$ 15.77	$ 13.41	$ 12.65
Market capitalization ($ million)	$ 560	$ 510	$ 498	$ 477	$ 430	$ 390	$ 332	$ 311

[1] Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.
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Financial Statement Highlights - Quarterly Trends

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

Taxable income was much higher in Q4 2020 and up to Q2 2021 mainly due to higher taxable income from MCAP. Increases in taxable income since Q2 2020 have also been driven by growth in our core business income.

The corporate portfolio mix during the past 8 quarters shifted towards residential mortgages amidst COVID-19. 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 and expenses. In late 2020, term deposit funding and related costs began to decrease through this period and we had seen an increase in the spread of corporate mortgages over term deposit interest and expenses since then. Through the latter half of 2021 and into Q1 2022, continued market competition has kept mortgage rates low in our residential mortgage portfolio, while increased demand by financial institutions for term deposit funding in the wake of the Russia/Ukraine conflict and demand by deposit customers for higher rates due to anticipated Bank of Canada rate increases has kept term deposit rates elevated, causing a significant decline in the spread.

The size of the securitized mortgage portfolio has increased due to increased volume of insured residential 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 and spread of securitized mortgages over liabilities during 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 securitized mortgages over liabilities 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 2021 and in Q1 2022. 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. The Company successfully initiated two capital raises by way of rights offerings in June and December 2021. These two offerings raised $53 million of capital. In Q1 2022, we also raised capital through our at-the-market program that we launched in 2021.

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. We have a strong track record with our asset recovery program should the need arise. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

BUSINESS OVERVIEW AND STRATEGY

MCAN's (TSX: MKP) purpose is to provide sustainable growth and returns for all our shareholders. We do this by leveraging our real estate expertise and providing our shareholders with unique access to investments in the Canadian real estate market and the returns that they generate. Our business includes real estate lending and investing, including residential mortgage lending, residential construction lending, non-residential construction and commercial lending, real estate investments trusts ("REITs") investing, as well as strategic private investments in (i) MCAP Commercial LP ("MCAP") (Canada's largest privately-owned mortgage financing company) and (ii) non-marketable equity-based real estate development funds and mortgage funds. We provide a breadth of expertise in all facets of the real estate cycle that our shareholders benefit from. Our unique structure as a flow-through Mortgage Investment Corporation ("MIC") means that we are not taxed at the corporate level and we distribute all of our taxable earnings annually. It also means that 67% of our non-consolidated tax assets are to be held in residential mortgages and cash.

MCAN's lines of business include MCAN Home, MCAN Capital and MCAN Wealth.

MCAN Home

MCAN Home is our residential mortgage lender that partners exclusively with accredited mortgage professionals to offer both insured and uninsured mortgage solutions across Canada. MCAN Home operates through MCAN's wholly owned subsidiary, XMC Mortgage Corporation, which has legally changed its name effective April 1, 2022, to MCAN Home Mortgage Corporation.

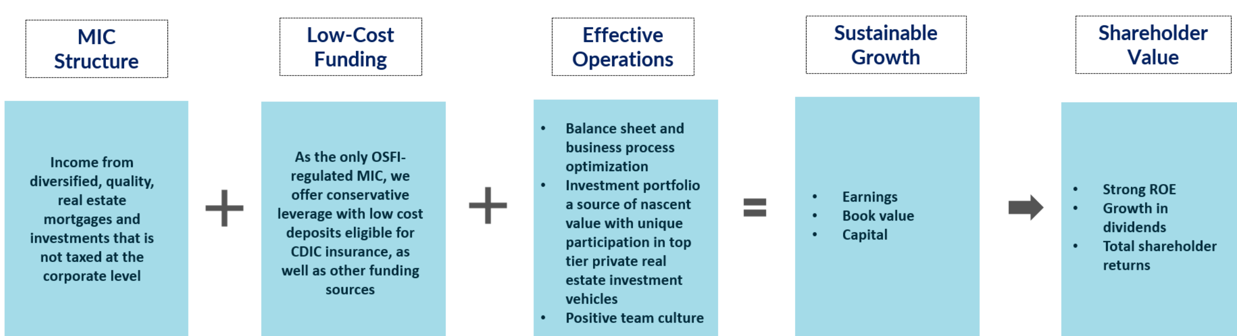
MCAN Capital

MCAN Capital focuses on unique financing and investment opportunities in the construction and commercial loan markets, REITs, and private investment funds focused on lending to and developing Canadian communities. We also have an almost 14% equity interest in MCAP, Canada's largest privately-owned mortgage financing company.

MCAN Wealth

MCAN Wealth offers investors Canada Deposit Insurance Corporation ("CDIC") insured investment solutions at competitive rates, differing term options, and with no fees.

Figure 1: Business Model



MCAN's business model provides focused investing in products and markets where we have extensive expertise and that are not generally accessible to our shareholders, to generate attractive financial returns. We employ leverage by issuing term deposits that are sourced through a network of independent financial agents.

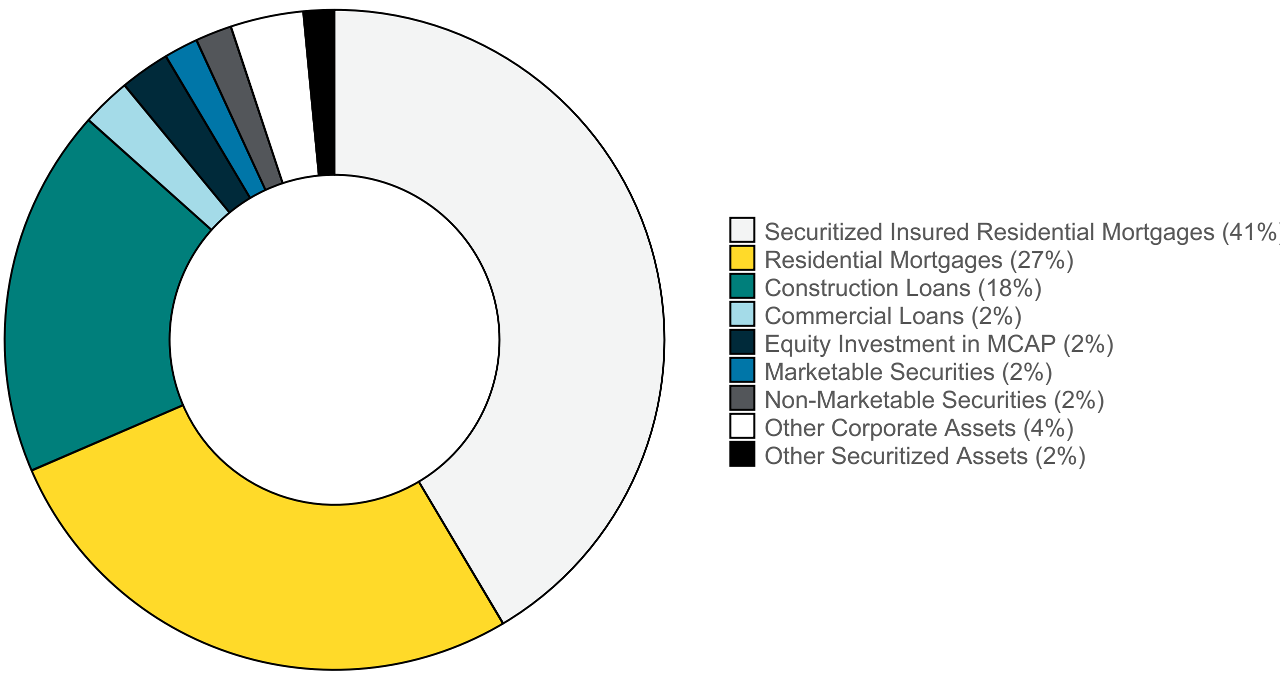
Our business model helps us to achieve our long-term objectives:

- Sustained 10% annual growth of assets;
- Sustained 13% to 15% return on average shareholders' equity ("ROE"); and
- Sustained and prudent dividend growth.

Our Investment Portfolio

With extensive in-house expertise, MCAN is a strategic investor in the Canadian real estate market. Our portfolio is focused on residential mortgages and residential construction loans. We are also a strategic investor in REITs, MCAP and other non-marketable real estate based fund partnerships that are generally not accessible to shareholders.

Figure 2: Total Assets at March 31, 2022 of $4.0 billion



Residential Mortgage Lending (March 31, 2022 - $2.7 billion; December 31, 2021 - $2.6 billion)

We originate insured and uninsured residential mortgages across Canada primarily focused on first time and move up homebuyers. Although we lend across Canada, our geographical focus is in the major urban regions in Ontario and to a lesser extent in Alberta and Vancouver. We have in-house origination, underwriting and boots on the ground in our core markets. These residential mortgages are originated through our strategic relationships with mortgage brokers. We focus our uninsured residential mortgage lending to those customers with credit challenges and to those who are self-employed. Our products include purchases, refinances and renewals. We have a strategy of securitizing our on-balance sheet insured residential mortgages, which are included in securitized insured residential mortgages above.

Construction Lending (March 31, 2022 - $723 million; December 31, 2021 - $684 million)

Residential construction loans are made to developers to finance residential construction projects. We focus our lending on the construction of affordable housing in urban/suburban growth markets with a preference for proximity to transit. This approach aims to mitigate the impact of price volatility and tightened sales activity in the event of market corrections. As well, these markets are where we, or our originating partners, have experience and local expertise. We have long established strategic relationships with originators, partners and borrowers. In house, we apply our own seasoned experience and underwriting. The borrowers that we like to target are experienced developers with a successful track record of project completion and loan repayment, and often repeat customers to us. 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. We also strategically lend at the land development stage to enhance longer term relationships with borrowers. Non-residential construction loans provide similar construction financing, but for retail shopping developments, office buildings and industrial developments.

Commercial Lending (March 31, 2022 - $97 million; December 31, 2021 - $93 million)

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).

Investment in MCAP (March 31, 2022 - $97 million; December 31, 2021 - $96 million)

We have an almost 14% equity interest in MCAP. MCAP is Canada's largest independent mortgage finance company with assets under management of $147 billion, serving many institutional investors and over 400,000 homeowners. This investment allows us to participate in the growth of MCAP and typically provides quarterly distributions on our investment which can be reinvested into other areas of our business.

Non-Marketable Securities (March 31, 2022 - $72 million; December 31, 2021 - $65 million)

We have equity investments in various strategic private real estate development and mortgage funds or instruments. Our strategy of laddering these investments in these funds should provide above average returns as the funds mature and their strategies are executed. All of the funds we invest in are backed by real estate in Canada and provide debt and equity capital to experienced and successful originators and developers. Certain of these funds focus on affordable housing, connected neighbourhoods and reducing the impact of climate change. These investments are mostly held for capital appreciation as well as distribution income and they tend to improve the diversification and risk and reward characteristics of our overall investment portfolio; however, they tend to have less predictable cash flow that are predicated on the completion of the development projects within the funds.

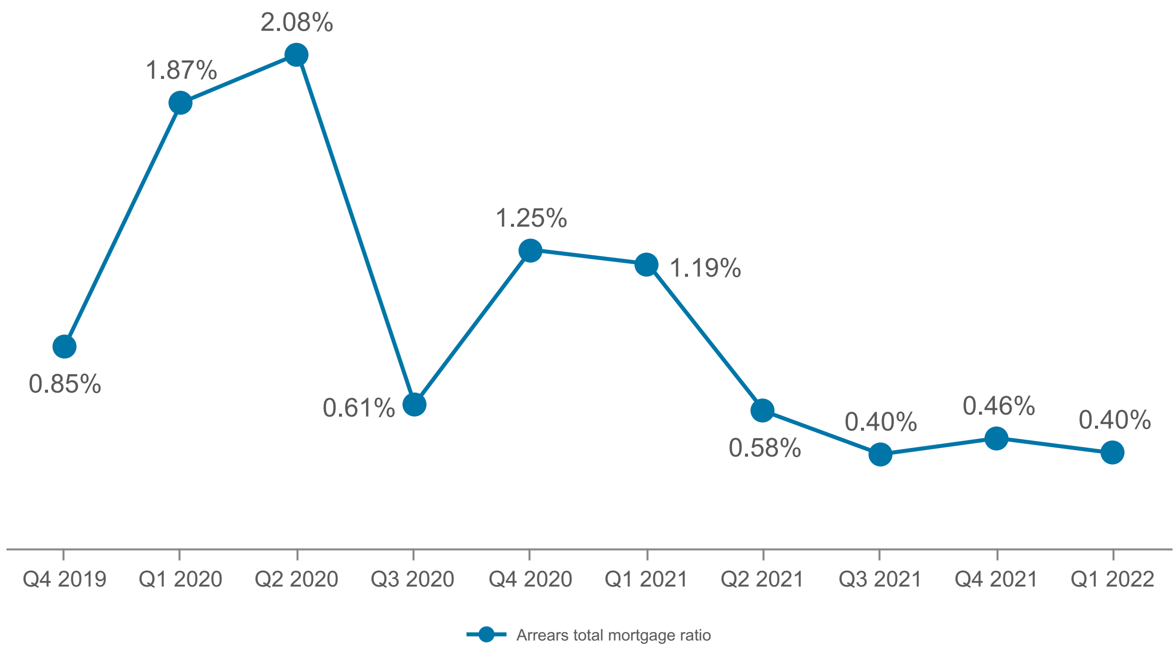
Marketable Securities (March 31, 2022 - $67 million; December 31, 2021 - $63 million)

We have a diversified and expertly managed REIT portfolio held for investment income and capital appreciation. We leverage our real estate investment expertise to actively manage this portfolio, with periodic recycling of capital. Our REIT investment objective is to earn long term total returns in the range of 9% to 11%. This portfolio provides additional liquidity and diversification to our overall investment portfolio.

Our Loan Portfolio Quality

We believe we have a quality loan portfolio, with minimal mortgages in arrears. The majority of residential mortgage 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 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.

Figure 3: Arrears Total Mortgage Ratio[1]

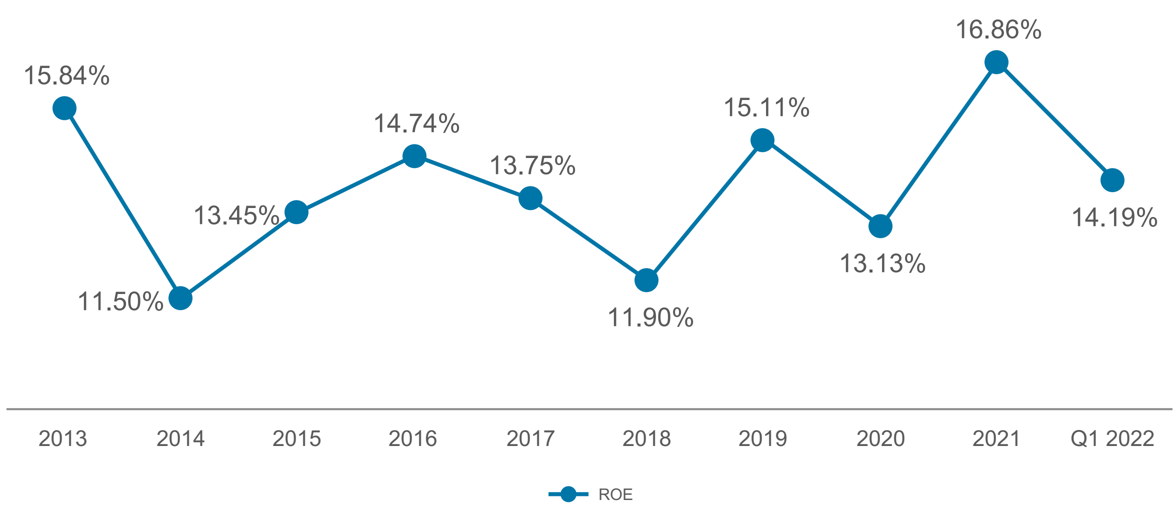


The two spikes relate to two construction loans where asset recovery programs were initiated and successfully resulted in full recovery of past due amounts. We have a strong track record with our asset recovery program should the need arise. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

Our Shareholder Returns

ROE is a key performance metric for MCAN. With our diversified investment base, we believe that we are able to generate strong returns for shareholders through various cycles of the real estate market.

Figure 4: Historical ROE[1]

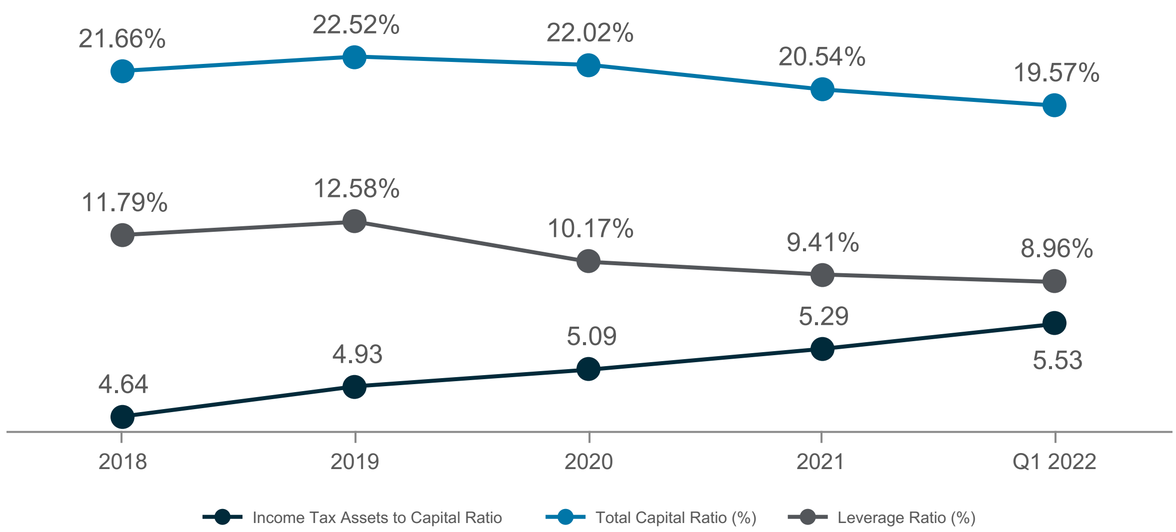


Our long-term objective is sustained 13% to 15% ROE. The nature of our investing activities may result in fluctuations in our ROE year to year. In the last 10 years, we have delivered an average ROE[1] of approximately 14%.

Our Capital Strength

We manage our capital and asset balances based on the regulations and limits of the *Trust and Loan Companies Act* (the "Trust Act"), *Income Tax Act* (Canada) (the "Tax Act") and the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Our strong capital base over the years has allowed us to pursue our growth strategy while achieving our long-term objectives.

Figure 5: Historical Capital Ratios

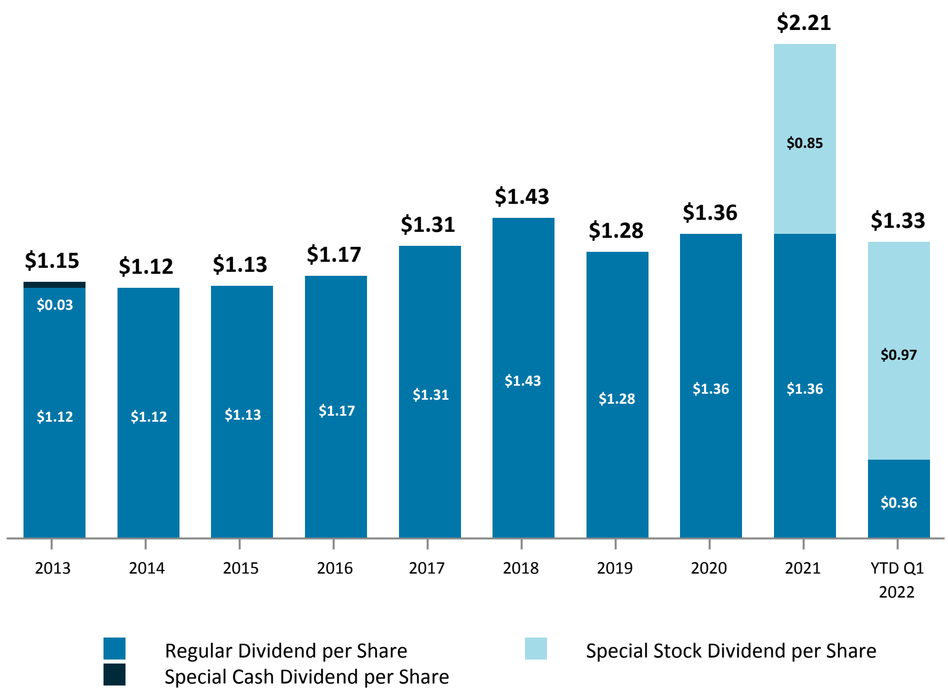


[1] Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

Our Dividends

Uniquely structured as a MIC, our dividend policy is to pay out substantially all of our taxable income to our shareholders. These dividends are taxable to our shareholders as interest income. Should taxable income per share exceed our regular cash dividends per share, we expect to distribute special cash or stock dividends per our dividend policy. We have been paying regular dividends for the past 30 years.

Figure 6: Dividend History



The Board of Directors (“Board”) declared a second quarter regular cash dividend of $0.36 per share to be paid June 30, 2022 to shareholders of record on June 15, 2022.

Our ESG Highlights

MCAN's values and culture are rooted in our people, and we have been committed for many years to responsible environmental, social and governance practices with a focus on:

E	Providing residential mortgages using responsible underwriting and risk management practices that deal with climate risk on our portfolio and providing capital and loans to real estate developers and investment funds who are committed to **community and climate-based responsible development**, primarily for **residential density development in urban communities close to mass transit**
S	Cultivating a **highly capable, inclusive and diverse team**, whose foundation is backed by a set of comprehensive policies and programs to support team culture, career development, and community programs
G	**Strong governance and risk culture** aligned with being a public company and a regulated financial institution focused on our stakeholders, including our shareholders, customers, business partners and team members

At the core of our ESG program is our management team and the Board, who navigate the risks and opportunities in our business within our established sustainability infrastructure framework. Our management team, along with our Board, have built a strong risk and governance framework by which we do business. We believe these practices are essential for the Company's success. Information about our risk governance structure is included in the "Risk Management" section of this MD&A.

We continue to build on our existing ESG foundation. The capital we provide for construction lending opportunities primarily focuses on residential development projects committed to reducing our environmental footprint and working with partners who are committed to responsible corporate citizenship. We continue to invest in learning and development opportunities for our team members and our support of various local charitable organizations. We also supported our team members as we navigated through the challenges of the COVID-19 pandemic, including sustaining a supportive work environment, allowing for a flexible working structure, and enhancing our wellness and benefits plans.

OUTLOOK

We are positioned with a focus on growing our business and shareholder returns. We believe that our long-term strategy will continue to serve us well though we must also consider the current market conditions in execution of that strategy. We believe that we are a prudent and disciplined real estate lender and investor and that we have strong relationships with our brokers and strategic partners. This outlook is based on assumptions from our experience, our market knowledge and sources we consider reliable including the Canadian government, the big Canadian banks and industry regulators.

Economic Outlook

Uncertainty remains regarding the impact of the reintroduction of public health restrictions in other parts of the world and the Russia/Ukraine conflict and the resulting impact on supply chains and commodity prices. The Canadian economy continues to grow with the removal of public health restrictions and higher commodity prices. Most economists expect solid growth in GDP and unemployment to remain low. We expect inflation to be the dominant concern throughout the remainder of 2022 and into 2023 given the rise in energy and food prices and ongoing supply constraints, as well as pandemic and post-pandemic spending. The Bank of Canada expects inflation to be just below 6% through the first half of 2022 before declining to 2.5% by mid-2023. The Bank of Canada has begun its monetary tightening and with macro-economic conditions improving and persisting inflation, we expect multiple and potentially steep forthcoming rate increases throughout 2022 following the 75 bps raise to date. Higher interest rates are intended to just moderate spending and reduce the post-pandemic demand; however, excessive or poorly timed increases could risk a recession.

Housing Market Outlook

Following a record year for Canada's housing market, home prices are expected to moderately increase, underpinned by GDP growth, higher employment, and net migration/immigration. We also believe that the continued supply-demand imbalance will further fuel a tight market in 2022, which will continue providing some upward pressure on home prices, particularly in and around our core markets of (i) the Greater Toronto area; (ii) the Capital region; and (iii) the Greater Vancouver area. The lack of supply of affordable housing is not easily 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, current supply chain challenges, etc.) that limit how many homes can be built in the short-term. Rising interest rates may be a strong headwind, however, that is expected to cool demand in the remainder of 2022, depending on the quantum and pace of Bank of Canada rate increases. Housing affordability (including housing supply) continues to be a critical issue for all levels of government and in all provinces where we do business. The current Federal budget proposes a path to double construction of new housing and meet Canada's housing needs over the next decade. That said, any housing affordability policies implemented will take time to have an impact on the housing market. Current and forecasted increases in rates will add additional pressure to housing affordability in Canada's major markets.

Business Outlook

We believe that our business is well structured with its focus primarily on multiple facets of the Canadian residential real estate market, giving us some diversity in terms of income generation and allowing us to balance out volatility that we may experience at certain points and in certain areas of our business. The pace and steepness of interest rate increases, as well as the current economic backdrop, have already created some headwinds to our MCAN Home division which runs our residential lending business and our MCAN Capital division which manages our REIT portfolio, and may create further headwinds over the course of the remainder of this year. That said, we continue to experience positive momentum in other parts of our business. We will remain nimble in dealing with any market changes or opportunities that may arise in the short-term.

MCAN Home

Given the rising interest rate environment and increased home prices, our risk management, credit monitoring and assessment activities continue to remain critical in operating our business. We do expect to continue to have a portfolio with a strong credit profile and a minimal level of arrears. Based on the current economic and housing market outlook, we may see more moderate origination volumes in MCAN Home through the remainder of 2022. We launched a popular variable rate mortgage product in Q1 2022 which met the current demands of our customers in a rising rate environment. Product preferences continue to shift, and we expect to pivot by adding new products. Through all of the growth that we have achieved in MCAN Home over the last couple of years, we remain dedicated to continuously improving our service for our borrowers and the broker community through the recent launch of a new broker portal and a dedicated broker relations hub. We will continue to invest in our current and new systems and business infrastructure and look to add new lending products that fit within our risk appetite to further enhance our service experience and broaden our offering to our customers. Although rates have increased in the last few months, we continue to believe that competitive market conditions in the residential lending space will remain, thereby causing our overall spreads to remain tight, as we've already experienced in Q1 2022, consistent with other lenders. 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.

MCAN Capital

While there continues to be 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 and building material challenges, and workplace safety rules have been the cause of these delays, but with the easing of public health restrictions, not only in Canada but globally, we expect that some of these will become less of a constraint. The cost of construction has increased due to recent inflationary pressures in the cost of building materials and labour. All these factors have, and may continue to have, an impact on the timing of repayments as loans remain outstanding longer; however, they have not changed the overall expected outcome of project successes or loan performance within our portfolio. Notwithstanding headwinds that may be created by the current rising interest rate environment, we expect continued high demand for more affordable housing, which is our focus. We therefore expect a good pipeline for our construction and commercial business. We will also benefit from rising interest rates in this area of our business as these loans are generally at floating rates. We 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.

Over the remainder of this year and the coming years we will look to rebalance our portfolios and pivot to using more of our capital for higher-yielding products, like construction and commercial lending and in non-marketable securities, including investments in real estate-based development or higher yielding mortgage funds. We see the benefits of solid income and distributions from these investments. During the quarter, we invested in new non-marketable securities with $45 million of remaining capital advances expected to fund over the next 5 years.

MCAN Wealth

We continue to employ leverage and fund our business by issuing term deposits that are eligible for CDIC deposit insurance that are sourced through a network of independent financial agents. In regards to the term deposit market, we experienced high competition for term deposit funding at the end of February and early March in the wake of the Russia/Ukraine conflict and amid a more aggressive rising interest rate environment. That temporary dislocation in the market caused rates to increase significantly. We do not expect any further dislocation in the term deposit market, but we do expect to see further increases in term deposit rates based on actual or expected Bank of Canada rate increases. We will continue to invest in our current and new systems and business infrastructure, and we are refocusing on digital strategies and process improvements within our term deposit operations.

We will continue to focus on expanding and maturing our capital markets and other funding strategies through 2022 in order to continue our growth. We initiated our at-the-market program in March, raising $404 thousand in share capital, efficiently and cost-effectively. We will continue to tap into that program during the year. We also launched a hedging program in April and will use this program as appropriate to better manage interest rate risk in our business. We have expanded our warehouse facility by $50 million and in April we expanded our operating facility by $100 million at a lower cost. Current equity markets are challenged and likely to remain challenged for the balance of the year. Therefore, further maturation of our capital markets activities will be subject to improved market conditions. That said, MCAN's management and Board are committed to proactively and effectively managing and evolving all of the Company's strategies, business activities and team into the future. We will always invest in our greatest asset – our people. Our targeted annual growth in corporate assets over the long term is 10%. Further growth in the short term will of course be predicated on improved market conditions.

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.

HIGHLIGHTS

Financial Performance

- Net income totalled $15.5 million in Q1 2022, a decrease of $0.4 million (3%) from net income of $15.9 million in Q1 2021. Results for the first quarter of 2022 were impacted by a decrease in equity income from MCAP and lower fair value adjustments on our REIT portfolio. These were partially offset by higher interest income on our mortgage portfolio from growth in the portfolio and a recovery on our allowance for expected credit losses.

- Earnings per share totalled $0.52 in Q1 2022, a decrease of $0.12 (19%) from earnings per share of $0.64 in Q1 2021. Earnings per share for the first quarter of 2022 was impacted by our Rights Offering of almost 2.0 million units completed in December 2021, for which there has only been one quarter impact of the investment of those proceeds.

- Return on average shareholders' equity[1] of 14.19% in Q1 2022, a decrease from 18.15% in Q1 2021.

- Net corporate mortgage spread income[1] increased by $3.8 million from Q1 2021. The net corporate mortgage spread income increased due to a higher average corporate mortgage portfolio balance from our mortgage portfolio growth partially offset by a reduction in the spread of corporate mortgages over term deposit interest and expenses. The decrease in the spread of corporate mortgages over term deposit interest and expenses is due to a larger reduction in mortgage rates compared to term deposit rates. The decline in our mortgage rate is primarily due to continued market competition and appetite for variable rate mortgages which has kept rates compressed in our current portfolio mix.

- Net securitized mortgage spread income[1] decreased by $0.2 million from Q1 2021. The net securitized mortgage spread income decreased due to a lower spread of securitized mortgages over liabilities partially offset by a higher average securitized mortgage portfolio balance from insured residential mortgage originations. We have seen spreads decline on securitizations mainly 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 in Q1 2022 as we have entered a rising interest rate environment.

- Recovery of credit losses on our corporate mortgage portfolio of $1.3 million in Q1 2022 was mainly due to improved economic forecasts as we recover from the economic effects of the COVID-19 pandemic partly offset by growth in our portfolio and increased uncertainty around inflation.

- Equity income from MCAP Commercial LP ("MCAP") totalled $5.2 million in Q1 2022, a decrease of $1.5 million (23%) from $6.7 million in Q1 2021, which was primarily due to competition in the mortgage origination space, which remained very strong in the first quarter of 2022 with low fixed rate mortgage spreads. Residential mortgage originations shifted significantly to variable rate mortgages in the quarter. This highly competitive mortgage origination space caused a decline in profitability quarter over quarter. This was partly offset by higher servicing and administration revenue from higher assets under management primarily related to its acquisition of Paradigm Quest Inc. in Q3 2021.

- In Q1 2022, we recorded a $1.2 million net gain on securities compared to a $3.9 million net gain on securities in Q1 2021 as we began to see more recent volatility in REIT prices from current geopolitical conflicts and an inflationary environment compared to optimism in Q1 2021 around vaccine rollouts. During Q1 2022, one REIT in our portfolio had a mandatory corporate action resulting in privatization and as such we recognized a $1.8 million realized loss.

Business Activity and Balance Sheet

- Corporate assets totalled $2.28 billion at March 31, 2022, a net increase of $118 million (5%) from December 31, 2021.

- Corporate mortgage portfolio totalled $1.90 billion at March 31, 2022, a net increase of $96 million (5%) from December 31, 2021.

- Uninsured residential mortgage portfolio totalled $834 million at March 31, 2022, a net increase of $51 million (6%) from December 31, 2021.

- Uninsured residential mortgage originations were $120 million in Q1 2022, a decrease of $39 million (24%) from Q4 2021 and an increase of $15 million (14%) from Q1 2021.

- Insured residential mortgage originations totalled $181 million in Q1 2022, which includes $33 million of residential mortgage commitments sold, an increase of $14 million (9%) from Q4 2021 and a decrease of $29 million (14%) from Q1 2021. Customer appetite for insured variable rate products continued to increase in Q1 2022 and we launched an insured variable rate product; however, continued market competition for mortgage originations remained very strong this quarter.

- Insured residential mortgage securitization volumes totalled $137 million in Q1 2022, a decrease of $4 million (3%) from $141 million in Q4 2021 and a decrease of $91 million (40%) from $228 million in Q1 2021. Securitization issuances exceeded maturities in Q1 2022, resulting in a net increase in securitized mortgages of 5% from Q4 2021.

- Construction and commercial portfolios totalled $820 million at March 31, 2022, a net increase of $43 million (5%) from December 31, 2021. The movement in the portfolio is attributed to originations of $102 million in new construction and commercial mortgages offset by maturities and repayments.

Dividend

- The Board declared a second quarter regular cash dividend of $0.36 per share to be paid June 30, 2022 to shareholders of record as of June 15, 2022. As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income so that we pay no income taxes at the corporate level. At this time, the Company does not expect to have taxable income per share materially greater than its regular cash dividends per share for 2022.

Credit Quality

- The impaired corporate mortgage ratio[1] was 0.03% at March 31, 2022 compared to 0.05% at December 31, 2021.

- The impaired total mortgage ratio[1] was 0.02% at March 31, 2022 compared to 0.03% at December 31, 2021.

- Arrears total mortgage ratio[1] was 0.40% at March 31, 2022 compared to 0.46% at December 31, 2021.

- Average loan to value ratio ("LTV") of our uninsured residential mortgage portfolio based on an industry index of current real estate values was 55.5% at March 31, 2022 compared to 60.3% at December 31, 2021.

Capital

- We manage our capital and asset balances based on the regulations and limits of both the Tax Act and OSFI.

- We issued $28.8 million in new common shares on March 31, 2022 for our 2022 first quarter special stock dividend to shareholders (with fractional shares paid in cash) at the weighted average trading price for the five days preceding the record date of $18.9326.

- In 2021, we filed a Prospectus Supplement to our Base Shelf prospectus establishing an at-the-market equity program ("ATM Program") to issue up to $30 million 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 our sole discretion. During Q1 2022, we sold 24,300 common shares at a weighted average price of $17.76 for gross proceeds of $440,000 and net proceeds of $404,000 including $9,000 of commission paid to our agent and $27,000 of other share issuance costs under the ATM Program.

- We issued $3.4 million in new common shares through the Dividend Reinvestment Program ("DRIP") in Q1 2022 compared to $2.9 million in new common shares in Q1 2021. The DRIP participation rate was 17% for the Q1 2022 dividend (Q1 2021 - 17%).

- The income tax assets to capital ratio[3] was 5.53 at March 31, 2022 compared to 5.29 at December 31, 2021.

- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[2] were 19.32% at March 31, 2022 compared to 20.26% at December 31, 2021. Total Capital to risk-weighted assets ratio[2] was 19.57% at March 31, 2022 compared to 20.54% at December 31, 2021.

- The leverage ratio[2] was 8.96% at March 31, 2022 compared to 9.41% at December 31, 2021.

[1] *Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.*
[2] *These measures have been calculated in accordance with OSFI's Leverage Requirements and Capital Adequacy Requirements guidelines. 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 was 70% in fiscal 2020, 50% in fiscal 2021 and is set at 25% in fiscal 2022.*
[3] *For further information refer to the "Income Tax Capital" section of this MD&A. Tax balances are calculated in accordance with the Tax Act.*

RESULTS OF OPERATIONS

Table 3: Net Income

(in thousands except for per share amounts and %) For the Quarters Ended	Q1 2022	Q4 2021	Change (%)	Q1 2021	Change (%)
Net Investment Income - Corporate Assets					
Mortgage interest	$ 20,508	$ 20,436	—%	$ 15,796	30%
Equity income from MCAP Commercial LP	5,219	6,246	(16%)	6,742	(23%)
Non-marketable securities	1,560	1,519	3%	1,383	13%
Marketable securities	966	837	15%	805	20%
Fees	584	453	29%	417	40%
Interest on cash and other income	117	186	(37%)	117	—%
Net gain on securities	1,189	3,374	(65%)	3,920	(70%)
	30,143	**33,051**	**(9%)**	**29,180**	**3%**
Term deposit interest and expenses	8,518	8,389	2%	7,556	13%
Mortgage expenses	1,554	1,586	(2%)	1,084	43%
Interest on loans payable	558	428	30%	65	758%
Other financial expenses	10	5	100%	—	n/a
Provision for (recovery of) credit losses	(1,255)	768	(263%)	270	(565%)
	9,385	**11,176**	**(16%)**	**8,975**	**5%**
	20,758	**21,875**	**(5%)**	**20,205**	**3%**
Net Investment Income - Securitization Assets					
Mortgage interest	7,257	7,295	(1%)	6,632	9%
Other securitization income	66	60	10%	42	57%
	7,323	**7,355**	**—%**	**6,674**	**10%**
Interest on financial liabilities from securitization	5,249	4,993	5%	4,426	19%
Mortgage expenses	960	954	1%	723	33%
Recovery of credit losses	(1)	—	n/a	(20)	95%
	6,208	**5,947**	**4%**	**5,129**	**21%**
	1,115	**1,408**	**(21%)**	**1,545**	**(28%)**
Operating Expenses					
Salaries and benefits	4,996	4,627	8%	4,271	17%
General and administrative	1,925	2,416	(20%)	2,312	(17%)
	6,921	**7,043**	**(2%)**	**6,583**	**5%**
Net income before income taxes	14,952	16,240	(8%)	15,167	(1%)
Provision for (recovery of) income taxes	(527)	170	(410%)	(757)	30%
Net Income	**$ 15,479**	**$ 16,070**	**(4%)**	**$ 15,924**	**(3%)**
Basic and diluted earnings per share	$ 0.52	$ 0.57	(9%)	$ 0.64	(19%)
Dividends per share - cash	$ 0.36	$ 0.34	6%	$ 0.34	6%
Dividends per share - stock	$ 0.97	$ —	n/a	$ 0.85	14%

Net Investment Income - Corporate Assets

Mortgage Interest Income

Table 4: Net Mortgage Interest Income and Average Rate by Mortgage Portfolio - Quarterly

For the Quarters Ended	March 31, 2022			December 31, 2021			March 31, 2021		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Residential mortgages									
Insured	$ 188,453	$ 857	2.00 %	$ 174,793	$ 957	2.18 %	$ 180,143	$ 1,016	2.26 %
Uninsured	799,004	7,387	3.71 %	755,511	7,219	3.81 %	507,516	5,513	4.49 %
Uninsured - completed inventory	42,564	596	5.67 %	37,738	592	6.22 %	45,393	716	6.39 %
Construction loans									
Residential	695,369	10,375	6.05 %	647,685	10,351	6.17 %	468,406	7,626	6.60 %
Non residential	4,992	88	7.18 %	4,938	96	7.74 %	3,918	73	7.50 %
Commercial loans									
Multi family residential	70,321	880	5.51 %	74,855	965	5.11 %	34,474	438	5.14 %
Other	18,073	325	7.30 %	18,736	256	5.42 %	30,616	414	5.48 %
Mortgages - corporate portfolio	$1,818,776	$ 20,508	4.59 %	$1,714,256	$ 20,436	4.67 %	$1,270,466	$ 15,796	5.07 %
Term deposit interest and expenses	1,666,109	8,518	2.00 %	1,622,400	8,389	1.97 %	1,235,398	7,556	2.31 %
Net corporate mortgage spread income[1]		$ 11,990			$ 12,047			$ 8,240	
Spread of corporate mortgages over term deposit interest and expenses [1]			2.59 %			2.70 %			2.76 %
Average term to maturity (months)									
Mortgages - corporate	13.8			13.0			13.7		
Term deposits	17.7			18.5			17.7		

[1] *Considered to be a Non-GAAP and other financial measure. The net corporate mortgage spread income and the spread of corporate mortgages over term deposit interest and expenses are indicators of the profitability of income earning assets less the cost of funding. Net corporate mortgage spread income is calculated as the difference between corporate mortgage interest and term deposit interest and expenses, both of which are IFRS measures. Average rate is equal to income/expense divided by the average balance over the period on an annualized basis. Income/expense incorporates items such as penalty income, commitment fee income, origination expense and commission expense. The average 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 rate as applicable. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.*

Table 5: Mortgage Originations

(in thousands except %) For the Quarters Ended	Q1 2022	Q4 2021	Change (%)	Q1 2021	Change (%)
Originations					
Residential mortgages - insured fixed [3]	$ 95,708	$ 166,470	(43%)	$ 209,864	(54%)
Residential mortgages - insured variable [3]	84,980	—	n/a	—	n/a
Residential mortgages - uninsured	119,813	158,626	(24%)	104,817	14%
Residential mortgages - uninsured completed inventory [1]	286	27,531	(99%)	604	(53%)
Residential construction [1]	88,728	149,539	(41%)	99,972	(11%)
Non-residential construction [1]	27	79	(66%)	1,119	(98%)
Commercial [1]	13,255	9,000	47%	19,600	(32%)
	$ 402,797	**$ 511,245**	**(21%)**	**$ 435,976**	**(8%)**
Renewals of securitized mortgages [2]					
Residential mortgages - insured	$ 7,890	$ 14,878	(47%)	$ 4,182	89%

[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.*
[3] *Includes insured residential mortgage commitments sold to MSLP that the Company originated.*

Overview

For Q1 2022, the decrease in the spread of corporate mortgages over term deposit interest and expenses from Q1 2021 was due to a larger decrease in mortgage rates compared to term deposit rates from our current portfolio mix. Continued market competition kept rates compressed in the residential mortgage lending space. Compared to Q4 2021, market competition and appetite for variable rate mortgages continued to negatively impact mortgage rates, while rising interest rates and dislocation in the term deposit market precipitated by the Russia/Ukraine conflict causing high demand by financial institutions for term deposits, led to a slight increase in term deposit interest and expenses. Residential construction mortgage rates have also decreased due to a portfolio mix with fewer land development loans compared to other residential construction loans contributing to a lower average rate compared to previous periods.

Residential Mortgage Lending

We continue to focus on growing our residential mortgage originations in our corporate and securitized mortgage portfolio and accordingly our total volumes in Q1 2022 and Q4 2021 increased from Q1 2021. 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 and customer service with the broker community and an increased underwriting capacity. We will continue to invest in new technology and add new products that fit within our risk appetite to further enhance our service experience and broaden our offering to our customers. In January 2022, we added variable rate insured mortgages to our insured product mix.

We have an agreement with MCAP Securities Limited Partnership ("MSLP"), a wholly owned subsidiary of MCAP, whereby we can sell to MSLP insured residential mortgage commitments. We originated and sold $33 million in commitments in Q1 2022 (Q1 2021 - $nil) under this agreement.

We continue to originate insured residential mortgages to allow us to securitize opportunistically through the CMHC *National Housing Act* ("NHA") Mortgage-Backed Securities ("MBS") program. Q1 2022 residential mortgage securitization volumes were $137 million compared to $228 million in Q1 2021. Renewals of securitized mortgages fluctuate each period depending on the maturities in the securitization portfolio. Securitization volumes were down compared to Q1 2021 mainly due to higher insured residential mortgage commitments sold and lower fixed insured residential mortgage originations as market competition for originations and customer appetite for insured variable rate products continued to increase in Q1 2022.

Residential mortgages provide comparatively lower yields given their risk profile. For the quarter, higher average balances in the uninsured residential mortgage portfolio helped contribute to a higher corporate mortgage interest compared to Q4 2021 and Q1 2021. We continue to take a prudent underwriting approach. We opportunistically invest in our residential uninsured completed inventory portfolio which often migrate from our own construction book.

Construction and Commercial

We continue to focus on growing our balances in our residential construction portfolio in selected markets, with our preferred borrowers and risk profile.

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 helped contribute to a higher corporate mortgage interest compared to prior periods. In 2021, we had a higher mix of land development versus other residential construction loans contributing to the higher average rate in that year.

Mortgage renewal rights

Through our origination platform, we retain the renewal rights to internally originated residential 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 March 31, 2022, we had the renewal rights to $2.6 billion of residential mortgages (December 31, 2021 - $2.4 billion).

Equity Income from MCAP

In Q1 2022, MCAP's origination volumes were $6.3 billion, an increase from $5.8 billion in Q1 2021. At February 28, 2022 (we account for MCAP on a one-month lag basis), MCAP had $146.6 billion of assets under management compared to $146.2 billion at November 30, 2021 and $112.2 billion at February 28, 2021.

For Q1 2022, the $1.5 million decrease in equity income from MCAP was primarily due to competition in the mortgage origination space, which remained very strong in the first quarter of 2022 with low fixed rate mortgage spreads. Residential mortgage originations shifted significantly to variable rate mortgages in the quarter. This highly competitive mortgage origination space caused a decline in profitability quarter over quarter. This was partly offset by higher servicing and administration revenue from higher assets under management primarily related to its acquisition of Paradigm Quest Inc. in Q3 2021.

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 Q1 2022 (Q1 2021 - $1.1 million). The distribution yield[1] on this portfolio was 11.87% in Q1 2022 compared to 10.69% in Q1 2021.

KingSett Senior Mortgage Fund LP ("KSSMF"): In Q2 2021, we invested in KSSMF. We received distribution income of $0.1 million in Q1 2022, representing a distribution yield[1] of 9.61%.

MCAP RMBS Issuer Corporation Class A securitization notes (the "Securitization Notes"): We received principal and interest of $1.4 million in Q1 2022 (Q1 2021 - $1.0 million), representing a distribution yield[1] of 8%.

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 distribution yield[1] on this portfolio was 6.13% in Q1 2022 (Q1 2021 - 6.09%). 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 on Securities

In Q1 2022, we recorded a $1.2 million net realized and unrealized gain on securities compared to a $3.9 million net unrealized gain on securities in Q1 2021. During Q1 2022, one REIT in our portfolio had a mandatory corporate action resulting in privatization and as such we recognized a $1.8 million realized loss. Activity in both periods also included unrealized fair value gains on our REIT portfolio. In the current year, we began to see more volatility in REIT prices from current geopolitical conflicts and an inflationary environment compared to optimism in Q1 2021 around vaccine rollouts. We also reinvested $7.5 million in new REITs during the quarter.

Term Deposit Interest and Expenses

The increase in term deposit interest and expenses for the quarter compared to Q1 2021 was due to a higher average term deposit balance partially offset by a lower average term deposit rate. Term deposit rates have continued to decline since Q1 2021 and as the higher rate term deposits mature, the average term deposit rate of the outstanding average term deposit balance has declined. Compared to Q4 2021, average term deposit rates have increased slightly due to the rising interest rate environment as well as dislocation in the term deposit market precipitated by the Russia/Ukraine conflict causing high demand by financial institutions for term deposits. Term deposit expenses include costs related to insurance, operating infrastructure and administration.

[1] *Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.*

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 $137 million in Q1 2022 (Q1 2021 - $228 million). The historically low interest rate environment and higher insured residential mortgage originations have generated a high volume of securitizations since the start of the pandemic. The decrease compared to the prior year was due to (i) sales of insured residential mortgage commitments, another funding source for our insured residential mortgage business; and (ii) lower fixed mortgage originations given increased competition and increased customer appetite for insured variable rate products compared to fixed. We launched a variable rate product in January 2022.

For further information on the market MBS and CMB programs, refer to the "Financial Position" section of this MD&A.

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

For the Quarters Ended	March 31, 2022			December 31, 2021			March 31, 2021		
(in thousands except %)	Average Balance[1]	Interest Income	Average Rate[1]	Average Balance[1]	Interest Income	Average Rate[1]	Average Balance[1]	Interest Income	Average Rate[1]
Mortgages - securitized portfolio	$1,606,982	$ 7,257	1.82 %	$1,534,500	$ 7,295	1.90 %	$1,208,935	$ 6,632	2.26 %
Financial liabilities from securitization	1,622,325	5,249	1.28 %	1,554,282	4,993	1.28 %	1,217,093	4,426	1.45 %
Net securitized mortgage spread income[1]		$ 2,008			$ 2,302			$ 2,206	
Spread of securitized mortgages over liabilities[1]			0.54 %			0.62 %			0.81 %

[1] Considered to be a non-GAAP and other financial measure. The net securitized mortgage spread income and spread of securitized mortgages over liabilities are indicators of the profitability of securitized assets less securitized liabilities. Net securitized mortgage spread income is calculated as the difference between securitized mortgage interest and interest on financial liabilities from securitization, both of which are IFRS measures. Average rate is equal to income/expense divided by the average balance over the period on an annualized basis. Income/expense incorporates items such as penalty income and indemnity expense. The average 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. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

In Q1 2022 and Q4 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 in the latter half of 2021 and into Q1 2022 as we have entered a rising interest rate environment.

Provision for (Recovery of) Credit Losses

Table 7: Provision for (Recovery of) Credit Losses and Write-offs

(in thousands except basis points and %) For the Quarters Ended	Q1 2022	Q4 2021	Change (%)	Q1 2021	Change (%)
Provision for (recovery of) impaired corporate mortgages					
Residential mortgages uninsured	$ 14	$ (35)	140%	$ (61)	123%
	14	(35)	140%	(61)	123%
Provision for (recovery of) performing corporate mortgages					
Residential mortgages insured	—	—	n/a	(2)	100%
Residential mortgages uninsured	(790)	182	(534%)	303	(361%)
Residential mortgages uninsured - completed inventory	(145)	34	(526%)	(201)	28%
Construction loans	(345)	611	(156%)	70	(593%)
Commercial loans					
Multi family residential	34	(18)	289%	228	(85%)
Other commercial	(25)	(5)	(400%)	(67)	63%
	(1,271)	804	(258%)	331	(484%)
Other provisions (recoveries)	2	(1)	300%	—	n/a
Total corporate provision for (recovery of) credit losses	(1,255)	768	(263%)	270	(565%)
Provision for (recovery of) performing securitized mortgages	(1)	—	n/a	(20)	95%
Total provision for (recovery of) credit losses	$ (1,256)	$ 768	(264%)	$ 250	(602%)
Corporate mortgage portfolio data:					
Provision for (recovery of) credit losses, net	$ (1,257)	$ 769	(263%)	$ 270	(566%)
Net write offs	$ —	$ —	n/a	$ 1	(100%)
Net write offs (basis points)	—	—	n/a	—	n/a

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 $1.3 million in Q1 2022 compared to a provision for credit losses of $270,000 in Q1 2021. The recovery is mainly due to improved economic forecasts as we recover from the economic effects of the COVID-19 pandemic, partly offset by growth in our portfolio and increased uncertainty around inflation. Key judgments and uncertainties include the speed and shape of economic recovery, the impact of government stimulus, the uncertainties around further variants and related global public health restrictions, and the high levels of inflation. These judgments and uncertainties have been made or assessed with reference to the facts, projections and other circumstances at March 31, 2022. IFRS 9, *Financial Instruments* ("IFRS 9") does not permit the use of hindsight in measuring provisions for credit losses. Since March 31, 2022, forecasts around these uncertainties have continued to evolve. Any new forward-looking information subsequent to March 31, 2022, 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 the impact of certain government support programs.

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

Operating Expenses

Table 8: Operating Expenses

(in thousands except %) **For the Quarters Ended**	**Q1 2022**	**Q4 2021**	**Change (%)**	**Q1 2021**	**Change (%)**
Salaries and benefits	$ 4,996	$ 4,627	8%	$ 4,271	17%
General and administrative	1,925	2,416	(20%)	2,312	(17%)
	$ 6,921	**$ 7,043**	**(2%)**	**$ 6,583**	**5%**

The increase in salaries and benefits is primarily due to additional resources to support our increased growth, internal infrastructure and systems initiatives, as well as regular pay increases.

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

Taxable Income

The table below provides a reconciliation between consolidated net income (loss) for accounting purposes and non-consolidated taxable income. Taxable income is calculated in accordance with the Tax Act. In order to take advantage of the tax benefits of a 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.

Table 9: Taxable Income Reconciliation

(in thousands) **For the Quarters Ended March 31**	**2022**	**2021**
Consolidated net income for accounting purposes	$ 15,479	$ 15,924
Adjustments to calculate taxable income:		
Reverse: Equity income from MCAP - accounting purposes	(5,219)	(6,742)
Add: MCAP taxable income	7,068	16,448
Reverse: Provision for (recovery of) credit losses [2]	(1,269)	306
Add: Amortization of upfront securitization program costs [3]	2,183	1,467
Deduct: Securitization program mortgage origination costs [3]	99	(3,713)
Add: Securitization program premium (discount)	(4,444)	(773)
Reverse: Net unrealized loss (gain) on securities [4]	(1,189)	(3,920)
Add: Capital gains (losses)	(285)	—
Reverse: Loss (Income) earned in subsidiaries [5]	(2,259)	2,080
Other items	98	(12)
Taxable Income[1]	**$ 10,262**	**$ 21,065**

[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.

The change in taxable income for Q1 2022 compared to Q1 2021 was primarily due to lower taxable income from MCAP.

FINANCIAL POSITION

Assets

Table 10: Assets

(in thousands except %)	March 31 2022	December 31 2021	Change (%)	March 31 2021	Change (%)
Corporate Assets					
Cash and cash equivalents	$ 131,637	$ 122,269	8%	$ 103,838	27%
Marketable securities	67,013	62,693	7%	59,933	12%
Mortgages	1,901,940	1,806,146	5%	1,286,890	48%
Non-marketable securities	71,637	64,946	10%	58,129	23%
Equity investment in MCAP Commercial LP	97,218	96,186	1%	90,190	8%
Deferred tax asset	1,334	891	50%	1,164	15%
Other assets	9,972	9,323	7%	9,469	5%
	2,280,751	**2,162,454**	**5%**	**1,609,613**	**42%**
Securitization Assets					
Cash held in trust	50,101	53,148	(6%)	32,558	54%
Mortgages	1,658,839	1,583,697	5%	1,326,519	25%
Other assets	9,956	8,771	14%	7,997	24%
	1,718,896	**1,645,616**	**4%**	**1,367,074**	**26%**
	$ 3,999,647	**$ 3,808,070**	**5%**	**$ 2,976,687**	**34%**

Our corporate asset portfolio increased year over year primarily due to strong origination volumes in our entire portfolio. Our securitized mortgage portfolio has also increased year over year mainly due to the impact of new securitization issuances from insured residential mortgage originations.

In selecting residential construction projects to finance, we focus more on the affordable segments of the housing market, such as first time and move up homebuyers, characterized by affordable price points, lower price volatility and steady sales volumes based on continued family formation and migration primarily in major urban markets and their surrounding areas with a preference for proximity to transit. At March 31, 2022, the average outstanding construction loan balance was $8 million (December 31, 2021 - $8 million) with a maximum individual loan commitment of $40 million (December 31, 2021 - $40 million).

Securitized Mortgages

We are an NHA MBS issuer, which involves the securitization of insured mortgages to create MBS. Securitization assets consist primarily of insured residential 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" section of this MD&A.

During Q1 2022, we securitized $137 million (Q1 2021 - $228 million) of MBS through the market MBS program and CMB program.

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 March 31, 2022, we held $64 million of retained MBS on our balance sheet (December 31, 2021 - $51 million), which is included in the insured residential mortgage portfolio in corporate mortgages.

Table 11: Mortgage Summary

(in thousands except %)	March 31 2022	December 31 2021	Change (%)	March 31 2021	Change (%)
Corporate portfolio					
Residential mortgages					
Insured	$ 210,401	$ 196,595	7%	$ 152,858	38%
Uninsured	833,824	783,061	6%	533,148	56%
Uninsured - completed inventory	37,936	49,431	(23%)	41,629	(9%)
Construction loans	722,827	684,298	6%	479,545	51%
Commercial loans					
Multi family residential	78,879	74,696	6%	49,116	61%
Other commercial	18,073	18,065	—%	30,594	(41%)
	1,901,940	**1,806,146**	**5%**	**1,286,890**	**48%**
Securitized portfolio	**1,658,839**	**1,583,697**	**5%**	**1,326,519**	**25%**
	$ 3,560,779	**$ 3,389,843**	**5%**	**$ 2,613,409**	**36%**

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 and we maintain a high quality of underwriting. The increase in residential 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 and customer service 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. Our securitized mortgage portfolio has increased due to the impact of new securitization issuances.

Figure 7: Total Corporate and Securitized Mortgage Portfolio (in thousands)

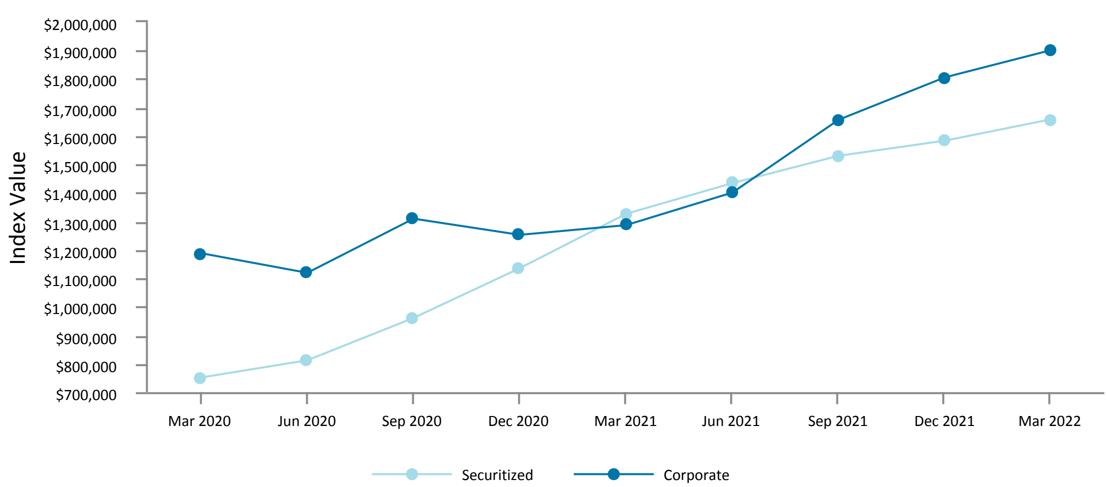
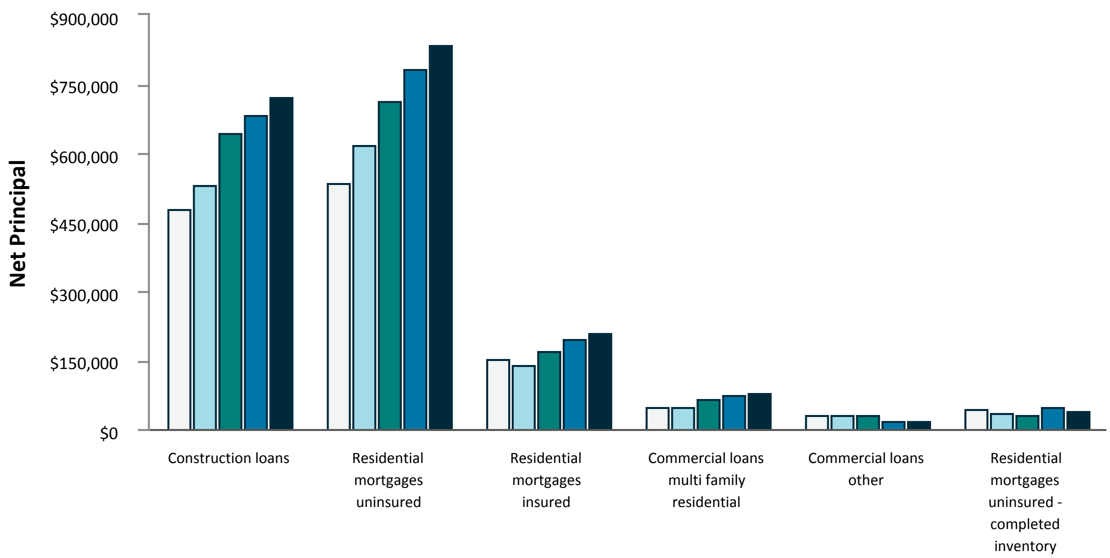


Figure 8: Corporate Mortgage Portfolio Composition by Product Type (in thousands)



	Construction loans	Residential mortgages uninsured	Residential mortgages insured	Commercial loans multi family residential	Commercial loans other	Residential mortgages uninsured - completed inventory
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%)
Dec 31, 2021	$684,298 (38%)	$783,061 (43%)	$196,595 (11%)	$74,696 (4%)	$18,065 (1%)	$49,431 (3%)
Mar 31, 2022	$722,827 (38%)	$833,824 (44%)	$210,401 (11%)	$78,879 (4%)	$18,073 (1%)	$37,936 (2%)

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

Table 12: Mortgage Portfolio Geographic Distribution

	March 31, 2022		December 31, 2021	
	Corporate	**Securitized**	**Corporate**	**Securitized**
Ontario	62.2 %	86.9 %	62.2 %	86.6 %
British Columbia	27.0 %	3.3 %	27.8 %	3.4 %
Alberta	8.3 %	7.2 %	7.6 %	7.1 %
Atlantic Provinces	0.4 %	1.4 %	0.4 %	1.5 %
Quebec	1.5 %	0.6 %	1.7 %	0.7 %
Other	0.6 %	0.6 %	0.3 %	0.7 %
	100.0 %	**100.0 %**	**100.0 %**	**100.0 %**

Credit Quality

Table 13: Arrears and Impaired Mortgages

(in thousands except %)	March 31 2022	December 31 2021	Change (%)	March 31 2021	Change (%)
Impaired mortgages					
Corporate					
Residential mortgages - insured	$ 162	$ 790	(79%)	$ 734	(78%)
Residential mortgages - uninsured	411	163	152%	1,617	(75%)
Construction loans	—	—	n/a	11,800	(100)%
	573	953	(40%)	14,151	(96%)
Securitized	103	—	n/a	164	(37%)
Total impaired mortgages	$ 676	$ 953	(29%)	$ 14,315	(95%)
Impaired corporate mortgage ratio [1]	0.03 %	0.05 %	(0.02%)	1.10 %	(1.07%)
Impaired total mortgage ratio [1]	0.02 %	0.03 %	(0.01%)	0.55 %	(0.53%)
Mortgage arrears					
Corporate					
Residential mortgages - insured	$ 1,503	$ 849	77%	$ 1,051	43%
Residential mortgages - uninsured	8,478	9,977	(15%)	13,663	(38%)
Construction loans	—	—	n/a	11,800	(100%)
Total corporate mortgage arrears	9,981	10,826	(8%)	26,514	(62%)
Total securitized mortgage arrears	4,124	4,865	(15%)	4,710	(12%)
Total mortgage arrears	$ 14,105	$ 15,691	(10%)	$ 31,224	(55%)
Staging analysis - corporate portfolio					
Stage 2					
Residential mortgages - insured	$ 6,881	$ 7,680	(10%)	$ 6,935	(1%)
Residential mortgages - uninsured	103,938	99,090	5%	67,117	55%
Residential mortgages - uninsured - completed inventory	—	3,449	(100%)	10,321	(100%)
Construction loans	13,345	17,570	(24%)	4,262	213%
Commercial loans - multi-family residential	27,412	27,346	—%	27,131	1%
Commercial - other	16,811	16,794	—%	17,283	(3%)
	168,387	171,929	(2%)	133,049	27%
Stage 3					
Residential mortgages - insured	162	790	(79%)	734	(78%)
Residential mortgages - uninsured	411	163	152%	1,617	(75%)
Construction loans	—	—	n/a	11,800	(100%)
	573	953	(40%)	14,151	(96%)
Total stage 2 and 3 corporate mortgages	$ 168,960	$ 172,882	(2%)	$ 147,200	15%
Allowance for credit losses					
Corporate					
Allowance on performing mortgages	$ 5,363	$ 6,634	(19%)	$ 6,377	(16%)
Allowance on impaired mortgages	27	13	108%	96	(72%)
	5,390	6,647	(19%)	6,473	(17%)
Securitized - allowance on performing mortgages	3	5	(40%)	4	(25%)
Total allowance for credit losses	$ 5,393	$ 6,652	(19%)	$ 6,477	(17%)

[1] Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

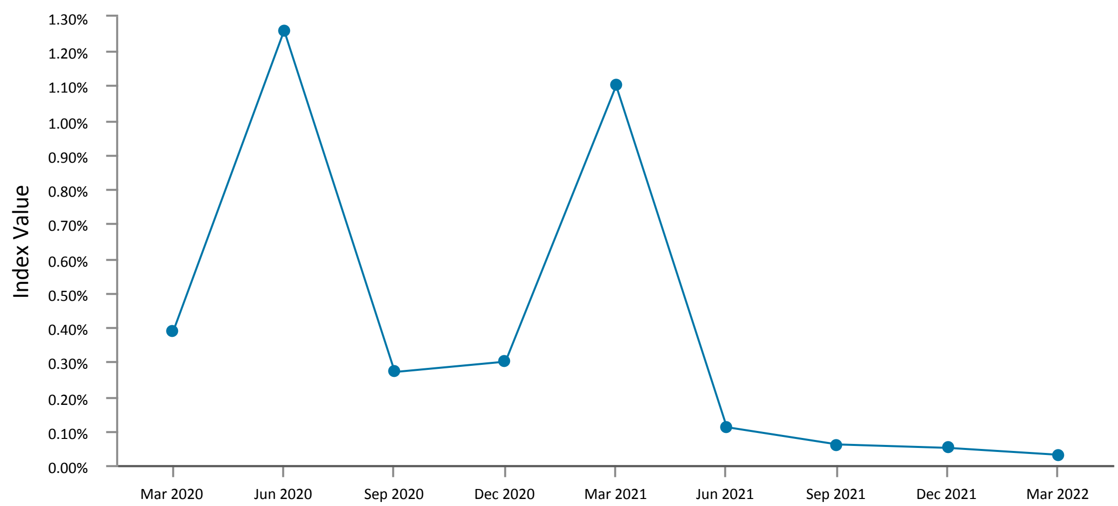
Arrears and Impaired Mortgage Summary

In Q1 2021, 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.

In the event of a protracted economic downturn due to COVID-19, or for any other reason, we would expect to observe an increase in overall mortgage default and arrears rates 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 residential mortgage defaults and arrears. MCAN utilizes a number of risk assessment and mitigation strategies to lessen the potential impact for loss on residential mortgages; however, traditional actions may not be available or effective.

Figure 9: Impaired Corporate Mortgage Ratio[1]



The impaired corporate mortgage ratio, as presented above, reflects impaired (stage 3) mortgages under IFRS 9 as a percentage of the total corporate portfolio. 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. 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. We have a strong track record with our asset recovery program should the need arise. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

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-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.*

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 residential 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 residential uninsured and residential uninsured - completed inventory loans.

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

Table 14: Residential Mortgages by Province at March 31, 2022

(in thousands except %)	Corporate						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
Ontario	$ 151,457	72.1 %	$ 753,580	86.4 %	$ 97	82.9 %	$1,441,379	86.9 %	$ 2,346,513	85.5 %
Alberta	41,732	19.8 %	35,450	4.1 %	20	17.1 %	119,161	7.2 %	196,363	7.2 %
British Columbia	7,451	3.5 %	53,894	6.2 %	—	— %	54,471	3.3 %	115,816	4.2 %
Quebec	3,766	1.8 %	20,856	2.4 %	—	— %	9,910	0.6 %	34,532	1.3 %
Atlantic Provinces	4,849	2.3 %	3,015	0.3 %	—	— %	23,775	1.4 %	31,639	1.2 %
Other	1,029	0.5 %	4,965	0.6 %	—	— %	10,143	0.6 %	16,137	0.6 %
Total	**$ 210,284**	**100.0 %**	**$ 871,760**	**100.0 %**	**$ 117**	**100.0 %**	**$1,658,839**	**100.0 %**	**$ 2,741,000**	**100.0 %**

Table 15: Residential Mortgages by Province at December 31, 2021

(in thousands except %)	Corporate						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
Ontario	$ 149,190	75.9 %	$ 709,435	85.2 %	$ 104	83.2 %	$1,372,801	86.6 %	$ 2,231,530	85.4 %
Alberta	31,394	16.0 %	41,663	5.0 %	21	16.8 %	112,500	7.1 %	185,578	7.1 %
British Columbia	6,331	3.2 %	50,919	6.1 %	—	— %	54,371	3.4 %	111,621	4.3 %
Quebec	3,638	1.9 %	22,445	2.7 %	—	— %	10,347	0.7 %	36,430	1.4 %
Atlantic Provinces	5,060	2.6 %	3,047	0.4 %	—	— %	23,244	1.5 %	31,351	1.2 %
Other	857	0.4 %	4,983	0.6 %	—	— %	10,434	0.7 %	16,274	0.6 %
Total	**$ 196,470**	**100.0 %**	**$ 832,492**	**100.0 %**	**$ 125**	**100.0 %**	**$1,583,697**	**100.0 %**	**$ 2,612,784**	**100.0 %**

Table 16: Residential Mortgages by Amortization Period at March 31, 2022

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 Years	Total
Corporate	$ 147,838	$ 190,788	$ 519,000	$ 224,535	$ 1,082,161
	13.7 %	17.6 %	48.0 %	20.7 %	100.0 %
Securitized	$ 333,665	$ 1,313,430	$ 11,744	$ —	$ 1,658,839
	20.1 %	79.2 %	0.7 %	— %	100.0 %
Total	**$ 481,503**	**$ 1,504,218**	**$ 530,744**	**$ 224,535**	**$ 2,741,000**
	17.6 %	**54.8 %**	**19.4 %**	**8.2 %**	**100.0 %**

Table 17: Residential Mortgages by Amortization Period at December 31, 2021

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 Years	Total
Corporate	$ 137,700	$ 211,080	$ 475,910	$ 204,397	$ 1,029,087
	13.4 %	20.5 %	46.2 %	19.9 %	100.0 %
Securitized	$ 302,388	$ 1,268,238	$ 13,071	$ —	$ 1,583,697
	19.1 %	80.1 %	0.8 %	— %	100.0 %
Total	**$ 440,088**	**$ 1,479,318**	**$ 488,981**	**$ 204,397**	**$ 2,612,784**
	16.8 %	**56.6 %**	**18.7 %**	**7.8 %**	**100.0 %**

Table 18: Average LTV Ratio for Uninsured Residential Mortgage Originations

(in thousands except %) **For the Quarters Ended**	**Q1 2022**	**Average LTV**	**Q1 2021**	**Average LTV**
Ontario	$109,719	66.2%	$ 97,714	70.4%
Alberta	2,659	71.0%	1,968	73.1%
British Columbia	7,721	72.9%	5,739	62.0%
	$120,099	**66.7%**	**$105,421**	**70.0%**

Table 19: Average Mortgage LTV Ratios at Origination

	March 31 2022	**December 31 2021**
Corporate portfolio		
Residential mortgages		
Insured	69.5 %	72.4 %
Uninsured[1]	65.8 %	66.8 %
Uninsured - completed inventory	55.7 %	57.1 %
Construction loans		
Residential	64.0 %	64.2 %
Non-residential	64.7 %	64.7 %
Commercial loans		
Multi family residential	74.6 %	72.3 %
Other commercial	63.6 %	63.6 %
	65.7 %	66.3 %
Securitized portfolio	81.5 %	81.9 %
	73.0 %	73.5 %

[1] MCAN's corporate uninsured residential mortgage portfolio (including completed inventory loans) is secured with a weighted average LTV at origination of 62.6% at March 31, 2022 (December 31, 2021 - 66.2%). Based on an industry index that incorporates current real estate values, the ratios would be 55.5% at March 31, 2022 (December 31, 2021 - 60.3%).

Other Corporate Assets

Cash and Cash Equivalents

At March 31, 2022, our cash balance was $132 million (December 31, 2021 - $122 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 March 31, 2022, the portfolio balance was $67 million (December 31, 2021 - $63 million). The increase relates to approximately $7 million in REIT purchases, $4 million in sales and a $1 million net gain on our REITs during Q1 2022.

Non-Marketable Securities

At March 31, 2022, our non-marketable securities balance was $72 million (December 31, 2021 - $65 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 KSHYF in which we have a 6.0% equity interest at March 31, 2022 (December 31, 2021 - 6.2%). At March 31, 2022, the carrying value of our investment was $46 million (December 31, 2021 - $45 million). The KSHYF invests in mortgages secured by real estate including mezzanine, subordinate and bridge mortgages. At March 31, 2022, our total remaining commitment to the KSHYF was $41 million, consisting of an additional $12 million of capital advances for the KSHYF and $29 million to support credit facilities throughout the life of the KSHYF.

Securitization Notes: During 2019, we invested $18 million in Class A Securitization Notes. At March 31, 2022, the carrying value of the Securitization Notes was $5 million (December 31, 2021 - $6 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.

KSSMF: We invest in KSSMF in which we have a 1.2% partnership interest (December 31, 2021 - 0.9%). At March 31, 2022, the carrying value of our investment was $6 million (December 31, 2021 - $4 million), with an additional $9 million remaining commitment. KSSMF invests in a diversified portfolio of mortgage loans secured by Canadian residential and commercial real estate.

TAS LP 3 (“TAS”): We invest in TAS representing a 9.7% partnership interest (December 31, 2021 - 9.7%). At March 31, 2022, the carrying value of our investment was $5 million (December 31, 2021 - $5 million), with an additional $5 million remaining commitment. TAS invests in, and develops, residential and mixed use properties.

TAS LP 3 Co-Invest LP (“TAS Co”): We invest in TAS Co representing a 34.8% partnership interest (December 31, 2021 - 34.8%). At March 31, 2022, the carrying value of our investment was $4 million (December 31, 2021 - $3 million), with an additional $1 million remaining commitment. TAS Co invests in urban residential and mixed use properties that are being developed under repositioning plans.

Pearl Group Growth Fund LP (“Pearl”): We invest in Pearl representing a 6.9% partnership interest (December 31, 2021 - 6.9%). At March 31, 2022, the carrying value of our investment was $2 million (December 31, 2021 - $2 million), with an additional $1 million remaining commitment. Pearl executes a value-add strategy by acquiring, redeveloping, entitling, leasing and project managing commercial properties in the Greater Toronto area.

Crown Realty V Limited Partnership (“Crown”): During 2022, we invested in Crown representing a 7.7% partnership interest. At March 31, 2022, the carrying value of our investment was $3 million, with an additional $17 million remaining commitment. Crown acquires, leases, manages and repositions commercial real estate properties across Ontario.

Equity Investment in MCAP

MCAP is Canada’s largest independent mortgage finance company serving many institutional investors and over 400,000 homeowners. We hold a 13.94% equity interest in MCAP (December 31, 2021 - 13.94%), which represents 4.0 million units held by MCAN at March 31, 2022 (December 31, 2021 - 4.0 million) of the 28.7 million total outstanding MCAP partnership units (December 31, 2021 - 28.7 million).

The investment had a net book value of $97 million at March 31, 2022 (December 31, 2021 - $96 million). The Limited Partner’s At-Risk Amount (“LP ARA”), which represents the cost base of the equity investment in MCAP for income tax purposes in accordance with the Tax Act, was $92 million at March 31, 2022 (December 31, 2021 - $89 million). The difference between the net book value and the LP ARA reflects an unrealized gain that, if realized, would be recognized as a capital gain. The net book value is not indicative of fair market value of our equity interest in MCAP.

During Q1 2022, we received $4.2 million of unitholder distributions from MCAP (Q1 2021 - $4.8 million). As we account for this investment using the equity method, the receipt of distributions reduces the carrying value of the investment in MCAP.

Pursuant to 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.

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 %)	March 31 2022	December 31 2021	Change (%)	March 31 2021	Change (%)
Corporate Liabilities					
Term deposits	$ 1,782,887	$ 1,660,992	7%	$ 1,251,116	43%
Loans payable	107,337	57,340	87%	27,009	297%
Other loan payable to MSLP	—	41,205	(100%)	—	n/a
Other liabilities	9,164	21,134	(57%)	8,904	3%
	1,899,388	**1,780,671**	**7%**	**1,287,029**	**48%**
Securitization Liabilities					
Financial liabilities from securitization	1,658,414	1,594,141	4%	1,332,789	24%
	1,658,414	**1,594,141**	**4%**	**1,332,789**	**24%**
	3,557,802	**3,374,812**	**5%**	**2,619,818**	**36%**
Shareholders' Equity					
Share capital	347,968	315,339	10%	258,605	35%
Contributed surplus	510	510	—%	510	—%
Retained earnings	93,367	117,409	(20%)	97,754	(4%)
	441,845	**433,258**	**2%**	**356,869**	**24%**
	$ 3,999,647	**$ 3,808,070**	**5%**	**$ 2,976,687**	**34%**

Term Deposits

Our primary source of funding for our corporate operations is the issuance of term deposits that are eligible for CDIC deposit insurance. We source term deposits through a broker distribution network across Canada consisting of third party deposit agents and financial advisors. 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.

Loans Payable

At March 31, 2022, we had a demand loan revolver facility from a Canadian Schedule I Chartered bank with a facility limit of $120 million. The facility was due and payable upon demand. Under the facility, there is a sublimit for issued letters of credit which are used for the purpose of supporting developer obligations to municipalities in conjunction with residential construction loans. In April 2022, we revised this facility to be a secured demand revolver and increased the facility limit to $220 million at a lower cost.

We also have a $50 million senior secured mortgage warehouse facility with a Canadian Schedule I Chartered bank. The facility is used to fund insured residential mortgages prior to securitization activities. During the quarter, the facility was increased to $100 million until the renewal date of May 7, 2022 through the mechanics of the agreement, and on May 7, 2022 has been permanently increased to $100 million.

Other loan payable to MSLP

On November 3, 2021, we obtained a loan with reference to the fair value of a pool of insured residential mortgages from MSLP. At December 31, 2021, $41.2 million represents the carrying value of the loan payable. On January 27, 2022, we settled the loan with MSLP at the same referenced fair value price of the same pool of insured residential mortgages and paid interest of $0.1 million on the loan.

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, special stock dividend and other share offerings and their related costs, as applicable. 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 Q1 2022 consists of net income of $15.5 million (Q1 2021 - $15.9 million) less dividends of $39.5 million (Q1 2021 - $29.5 million).

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. We calculate our income tax capital in accordance with the Tax Act.

Table 21: Income Tax Capital

(in thousands except ratios)

	March 31 2022	December 31 2021
Income tax assets		
Consolidated assets	$ 3,999,647	$ 3,808,070
Adjustment for assets in subsidiaries	(79,193)	(69,227)
Non-consolidated assets in MIC entity	3,920,454	3,738,843
Add: corporate mortgage allowances	5,358	6,626
Less: securitization assets [1]	(1,685,326)	(1,618,866)
Adjustments to equity investments in MCAP and subsidiaries	(28,966)	(32,278)
Other adjustments	(10,160)	(9,452)
	$ 2,201,360	$ 2,084,873
Income tax liabilities		
Consolidated liabilities	$ 3,557,802	$ 3,374,812
Adjustment for liabilities in subsidiaries	(98,034)	(91,799)
Non-consolidated liabilities in MIC entity	3,459,768	3,283,013
Less: securitization liabilities [1]	(1,656,731)	(1,592,457)
	$ 1,803,037	$ 1,690,556
Income tax capital	$ 398,323	$ 394,317
Income tax capital ratios		
Income tax assets to capital ratio	5.53	5.29
Income tax liabilities to capital ratio	4.53	4.29

[1] 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 in accordance with the Tax Act.

Regulatory Capital

As a Loan Company under 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 March 31, 2022, 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 22: Regulatory Capital [3]

(in thousands except %)

	March 31 2022	December 31 2021
OSFI Regulatory Ratios		
Share capital	$ 347,968	$ 315,339
Contributed surplus	510	510
Retained earnings	93,367	117,409
Deduction from equity investment in MCAP [1]	(53,002)	(52,734)
Eligible Stage 1 and Stage 2 mortgage allowances [3]	311	1,258
Common Equity Tier 1 and Tier 1 Capital (A)	389,154	381,782
Tier 2 Capital	5,055	5,381
Total Capital (D)	$ 394,209	$ 387,163
Total Exposure/Regulatory Assets		
Consolidated assets	$ 3,999,647	$ 3,808,070
Less: deduction for equity investment in MCAP [1]	(53,002)	(52,734)
Other adjustments [2]	2,528	1,760
Total On-Balance Sheet Exposures	3,949,173	3,757,096
Mortgage and investment funding commitments (50%)	368,439	279,255
Letters of credit (50%)	23,415	22,782
Total Off-Balance Sheet Items	391,854	302,037
Total Exposure/Regulatory Assets (B)	$ 4,341,027	$ 4,059,133
Leverage ratio (A / B)	8.96 %	9.41 %
Risk-weighted assets (C)	$ 2,013,867	$ 1,884,523
Regulatory Capital Ratios		
Common Equity Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.32 %	20.26 %
Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.32 %	20.26 %
Total capital to risk-weighted assets ratio **(D / C)**	19.57 %	20.54 %

[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 mortgage allowances.
[2] Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.
[3] These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements and Leverage Requirements guidelines. 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 was 70% in fiscal 2020, 50% in fiscal 2021 and is set at 25% in fiscal 2022.

Table 23: Regulatory Risk-Weighted Assets [1]

(in thousands except %)	March 31, 2022			December 31, 2021		
	Per Balance Sheet	Average Rate	Risk-Weighted Assets	Per Balance Sheet	Average Rate	Risk-Weighted Assets
On-Balance Sheet Assets						
Cash and cash equivalents	$ 131,637	20 %	$ 26,833	$ 122,269	20 %	$ 24,806
Cash held in trust	50,101	20 %	10,020	53,148	20 %	10,629
Marketable securities	67,013	100 %	67,013	62,693	100 %	62,693
Mortgages - corporate	1,901,940	61 %	1,160,963	1,806,146	62 %	1,111,356
Mortgages - securitized	1,658,839	6 %	93,555	1,583,697	6 %	89,723
Non-marketable securities	71,637	175 %	125,464	64,946	188 %	122,002
Equity investment in MCAP Commercial LP	97,218	45 %	44,216	96,186	45 %	43,452
Deferred tax asset	1,334	100 %	1,334	891	100 %	891
Other assets	19,928	100 %	19,929	18,094	100 %	18,096
			1,549,327			1,483,648
Off-Balance Sheet Items						
Letters of credit	46,830	50 %	23,415	45,564	50 %	22,782
Commitments	736,878	41 %	302,475	558,511	44 %	244,168
			325,890			266,950
Charge for operational risk [2]			138,650			133,925
Risk-Weighted Assets			**$ 2,013,867**			**$ 1,884,523**

[1] This measure has been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines.
[2] 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.

Other Capital Management Activity

In conjunction with the annual strategic planning and budgeting process, we complete an Internal Capital Adequacy Assessment Process ("ICAAP") in order to ensure that we have sufficient capital to support our business plan and risk appetite. The ICAAP assesses the capital necessary to support the various inherent risks that we face, including liquidity and funding, credit, interest rate, market, operational, regulatory compliance, strategic and reputational risks. Our business plan is also stress-tested under various adverse scenarios to determine the impact on our results from operations and financial condition. The ICAAP is reviewed by both management and the Board and is submitted to OSFI annually. In addition, the Company performs stress testing on our internal forecasts for capital adequacy on a quarterly basis, and the results of such testing are reported to the Board.

RISK MANAGEMENT

Effective risk management and an established risk management framework support a strong risk and resilient culture, and help the Company provide sustainable growth and returns while maintaining an appropriate balance between risk and return. The Company's risk management framework is subject to constant evaluation in order to meet operational demands, regulatory requirements and industry best practices, and it is updated in alignment with our strategy and risk appetite. The Company's framework which is designed to identify, measure, monitor and report risks and vulnerabilities is outlined in the "Risk Management" section of the 2021 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 2021 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 2021 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, 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 provides guidance for 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 and 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.

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 ERM&CC. At March 31, 2022, 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 assess the adequacy of liquidity and funding channels, as well as contingency funding to remain within the liquidity risk appetite and Board-approved liquidity risk limits under the stress test scenarios. At March 31, 2022, 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 maintained 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 was $120 million but subsequent to quarter end has been increased to $220 million.

We also have an agreement with a Canadian Schedule I Chartered bank that enables the Company to execute repurchase agreements for liquidity purposes. This facility provides liquidity and allows the Company to encumber certain eligible securities for financing purposes. As part of the agreement, 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.

We have a credit agreement with a Canadian Schedule I Chartered bank for a $100 million senior secured mortgage warehouse facility. The facility is used to fund insured residential mortgages prior to securitization activities. This facility provides improved funding in response to our continued growth.

We have an agreement with MSLP, a wholly owned subsidiary of MCAP, whereby the Company can sell to MSLP insured residential 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 24: Liquidity Analysis

At March 31, 2022						
(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	$ 131,637	$ —	$ —	$ —	$ —	$ 131,637
Marketable securities	67,013	—	—	—	—	67,013
Mortgages - corporate	308,072	932,446	462,533	146,411	52,478	1,901,940
Non-marketable securities	—	5,207	—	—	66,430	71,637
Other loans	3,452	—	—	—	—	3,452
	510,174	937,653	462,533	146,411	118,908	2,175,679
Uses of liquidity						
Term deposits	279,451	592,428	621,609	289,399	—	1,782,887
Loans payable	107,337	—	—	—	—	107,337
Other liabilities	3,974	774	1,679	1,956	781	9,164
	390,762	593,202	623,288	291,355	781	1,899,388
Net liquidity surplus (deficit)	**$ 119,412**	**$ 344,451**	**$ (160,755)**	**$ (144,944)**	**$ 118,127**	**$ 276,291**

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. 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 March 31, 2022, 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 spreads, duration, repricing gaps, basis risk, yield curve risk and the timing between mortgage origination and funding by deposits or securitization.

The Interest Rate Risk Management Framework, which is reviewed and approved by the Board, provides guidance on 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 March 31, 2022 would have an estimated positive effect of $5.6 million (December 31, 2021 - positive effect of $4.8 million) to net income over the following twelve month period. An immediate and sustained parallel 1% decrease to market interest rates at March 31, 2022 would have an estimated adverse effect of $4.6 million (December 31, 2021 - adverse effect of $2.3 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.

The following tables present the assets and liabilities of the Company by interest rate sensitivity at March 31, 2022 and December 31, 2021 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 items include 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 25: Interest Rate Sensitivity at March 31, 2022

At March 31, 2022								
(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	$894,487	$195,146	$649,058	$181,142	$107,824	$ 11,127	$ 241,967	$ 2,280,751
Securitization	50,101	13,241	34,251	356,261	1,255,086	—	9,956	1,718,896
	944,588	208,387	683,309	537,403	1,362,910	11,127	251,923	3,999,647
Liabilities								
Corporate	107,337	279,451	592,428	621,609	289,399	—	9,164	1,899,388
Securitization	—	8,543	36,792	312,855	1,300,224	—	—	1,658,414
	107,337	287,994	629,220	934,464	1,589,623	—	9,164	3,557,802
Shareholders' Equity	—	—	—	—	—	—	441,845	441,845
GAP	**$837,251**	**$(79,607)**	**$ 54,089**	**$(397,061)**	**$(226,713)**	**$ 11,127**	**$ (199,086)**	**$ —**
YIELD SPREAD	**1.30 %**	**2.18 %**	**1.91 %**	**1.17 %**	**0.55 %**	**2.42 %**		

Table 26: Interest Rate Sensitivity at December 31, 2021

At December 31, 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	$774,136	$185,507	$639,906	$172,639	$147,777	$ 76,081	$ 166,408	$ 2,162,454
Securitization	53,147	14,064	42,173	287,194	1,240,266	—	8,772	1,645,616
	827,283	199,571	682,079	459,833	1,388,043	76,081	175,180	3,808,070
Liabilities								
Corporate	57,340	156,221	717,288	556,155	272,533	—	21,134	1,780,671
Securitization	—	16,277	42,781	271,466	1,263,617	—	—	1,594,141
	57,340	172,498	760,069	827,621	1,536,150	—	21,134	3,374,812
Shareholders' Equity	—	—	—	—	—	—	433,258	433,258
GAP	**$769,943**	**$ 27,073**	**$(77,990)**	**$(367,788)**	**$(148,107)**	**$ 76,081**	**$ (279,212)**	**$ —**
YIELD SPREAD	**1.58 %**	**2.87 %**	**1.93 %**	**1.36 %**	**0.67 %**	**7.24 %**		

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 adopted these revised requirements on January 1, 2022.

On January 31, 2022, OSFI announced the latest and final round of the internationally agreed-upon Basel III reforms into OSFI's capital, leverage, liquidity, and related disclosure guidelines for deposit-taking institutions. The revised rules released include (i) new leverage requirements; and (ii) new capital, liquidity and Pillar 3 disclosure requirements specifically for small and medium-sized banks. The revised rules begin to take effect in the second quarter of 2023.

Market Risk

Market risk is the exposure to adverse changes in the value of financial assets. Market risk includes price risk on marketable securities, execution risk, 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. At March 31, 2022, there were 31,372,921 common shares outstanding (December 31, 2021 - 29,620,939). At May 9, 2022, there were 31,419,022 common shares outstanding.

We issued $3.4 million in new common shares in Q1 2022 (Q1 2021 - $2.9 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.

We issued $28.8 million in new common shares on March 31, 2022 for our 2022 first quarter special stock dividend to shareholders (with fractional shares paid in cash) at the weighted average trading price for the five days preceding the record date of $18.9326.

In 2021, we filed a Prospectus Supplement to our Base Shelf prospectus establishing an ATM Program to issue up to $30 million 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 our sole discretion. During Q1 2022, we sold 24,300 common shares at a weighted average price of $17.76 for gross proceeds of $440,000 and net proceeds of $404,000 including $9,000 of commission paid to our agent and $27,000 of other share issuance costs under the ATM Program.

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 27: Contractual Commitments

At March 31, 2022						
(in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Mortgage funding commitments	$ 234,873	$ 210,970	$ 216,995	$ —	$ —	$ 662,838
Commitment - TAS	291	146	2,577	1,615	—	4,629
Commitment - TAS Co	—	—	1,250	—	—	1,250
Commitment - KSSMF	1,500	4,500	2,625	—	—	8,625
Commitment - Pearl	—	1,041		—	—	1,041
Commitment - Crown	6,485	—	10,816	—	—	17,301
Commitment - KSHYF	1,500	4,500	6,350	—	28,844	41,194
	$ 244,649	**$ 221,157**	**$ 240,613**	**$ 1,615**	**$ 28,844**	**$ 736,878**

We retain mortgage servicing obligations relating to securitized insured multi family mortgages where balance sheet derecognition has been achieved. At March 31, 2022, these derecognized securitized insured multi family mortgages totalled $72 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 18 to the interim consolidated financial statements.

DIVIDENDS

On May 9, 2022, the Board declared a regular quarterly cash dividend of $0.36 per share to be paid on June 30, 2022 to shareholders of record as at June 15, 2022.

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 regular 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 March 31, 2022 and March 31, 2021 and related party balances at March 31, 2022 and December 31, 2021 are discussed in Notes 8 and 17 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 March 31, 2022, we had 127 team members (December 31, 2021 - 128).

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 2021 Annual MD&A.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At March 31, 2022, 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 continue to have certain of our internal controls over financial reporting automated. There were no changes in our ICFR during the interim period ended March 31, 2022 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-GAAP AND OTHER FINANCIAL MEASURES

We prepare our interim consolidated financial statements in accordance with IFRS, which is current GAAP. We use a number of financial measures and ratios 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 other issuers using these measures. The non-GAAP and other financial measures used in this MD&A are defined as follows:

Non-GAAP Financial Measures

Net Corporate Mortgage Spread Income
Non-GAAP financial measure that is an indicator of net interest profitability of income-earning corporate assets less cost of funding for our corporate mortgage portfolio. It is calculated as the difference between corporate mortgage interest and term deposit interest and expenses as reported on the interim consolidated statements of income. A detailed calculation can also be found in Table 4 of this MD&A.

Table 28: Net Corporate Mortgage Spread Income

(in thousands) **For the Quarters Ended March 31**	**2022**	**2021**	**Change ($)**
Mortgage interest - corporate assets	$ 20,508	$ 15,796	
Term deposit interest and expenses	8,518	7,556	
Net Corporate Mortgage Spread Income	**$ 11,990**	**$ 8,240**	**$ 3,750**

Net Securitized Mortgage Spread Income
Non-GAAP financial measure that is an indicator of net interest profitability of income-earning securitized assets less cost of securitized liabilities for our securitized mortgage portfolio. It is calculated as the difference between securitized mortgage interest and interest on financial liabilities from securitization as reported on the interim consolidated statements of income. A detailed calculation can also be found in Table 6 of this MD&A.

Table 29: Net Securitized Mortgage Spread Income

(in thousands) **For the Quarters Ended March 31**	**2022**	**2021**	**Change ($)**
Mortgage interest - securitized assets	$ 7,257	$ 6,632	
Interest on financial liabilities from securitization	5,249	4,426	
Net Securitized Mortgage Spread Income	**$ 2,008**	**$ 2,206**	**$ (198)**

Supplementary Financial Measures

Average Rates
Supplementary financial measures that are an indicator of interest profitability of income-earning assets or the cost of liabilities. It is calculated as income or expense as a percentage of average interest-earning assets or liabilities balance. This financial measure includes average interest rates for (i) mortgages - corporate portfolios; (ii) term deposit interest and expenses; (iii) mortgages - securitized portfolio; and (iv) financial liabilities from securitization. The average income-earning asset or liability balance that is incorporated into the average interest rate calculations is calculated on either a daily or monthly basis depending on the nature of the asset or liability.

Spread of Corporate Mortgages over Term Deposit Interest and Expenses
Supplementary financial measure that is an indicator of net interest profitability of income-earning corporate assets less cost of funding. The spread of corporate mortgages over term deposit interest and expenses is calculated by taking the total corporate mortgage interest as a percentage of the average corporate mortgage average portfolio balance less the average term deposit interest and expenses rate.

Spread of Securitized Mortgages over Liabilities
Supplementary financial measure that is an indicator of net interest profitability of income-earning securitized assets less cost of securitized liabilities. The spread of securitized mortgages over liabilities is calculated by taking the securitized mortgage portfolio average interest rate less the financial liabilities average interest rate.

Return on Average Shareholders' Equity
Supplementary financial measure that measures profitability by presenting the annualized net income available (loss attributable) to shareholders as a percentage of the average capital deployed to earn the income (loss). It is calculated as net income (loss) divided by average shareholders' equity. Average shareholders' equity is calculated as a monthly average using all components of shareholders' equity.

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

Distribution Yield
Supplementary financial measure that is an indicator of profitability on marketable and non-marketable securities. It is calculated by dividing the distribution income as a percentage of the average balance.

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

GLOSSARY

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 OSFI's Capital Adequacy Requirements and Leverage Requirements guidelines.

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.

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.