



**MCAN FINANCIAL GROUP**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS OF OPERATIONS**

**Q3 2024 ENDING SEPTEMBER 30, 2024**

**MCANFINANCIAL.COM  
TSX: MKP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS**

MCAN Mortgage Corporation is doing business as (“d/b/a”) MCAN Financial Group (“MCAN”, the “Company” or “we”). This Management’s Discussion and Analysis of Operations (“MD&A”) should be read in conjunction with the interim unaudited consolidated financial statements and accompanying notes for the quarter and the nine months ended September 30, 2024 and the audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2023. 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.sedarplus.ca](http://www.sedarplus.ca) and our website at [www.mcanfinancial.com](http://www.mcanfinancial.com). Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2023 remain substantially unchanged. Information has been presented as of November 11, 2024.

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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, economic environment and outlook;
- possible or assumed future results;
- our ability to create shareholder value;
- our business goals and strategy;
- the potential impact of new regulations and changes to existing regulations;
- the stability of home prices;
- the effect of challenging conditions on us;
- the performance of our investments;
- factors affecting our competitive position within the housing lending market;
- international trade, international economic uncertainties, failures of international financial institutions and geopolitical uncertainties and their impact on the Canadian economy;
- sufficiency of our access to liquidity and capital resources;
- the timing and 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;
- factors and assumptions regarding interest rates, including the effect of Bank of Canada actions already taken;
- the effect of supply chain issues;
- the effect of inflation;
- housing sales and residential mortgage borrowing activities;
- the effect of household debt service levels;
- 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.

External geopolitical conflicts, and government and Bank of Canada economic policy have 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, supply chain issues, inflation, levels of housing activity and household debt service levels. There can be no assurance that such expectations, estimates, projections, assumptions and beliefs will continue to be valid. The impacts that any further or escalating geopolitical conflicts will have on our business is 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 risk that any of the above opinions, estimates or assumptions are inaccurate and the other risks and uncertainties referred to in our Annual Information Form for the year ended December 31, 2023, 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 - Q3 2024

(in thousands except for per share amounts and %)								
	Q3	Q2	Change	Q3	Change	YTD	YTD	Change
For the Periods Ended	2024	2024	(%)	2023	(%)	2024	2023	(%)
<b>Income Statement Highlights</b>								
Mortgage interest - corporate assets [A]	\$ 48,067	\$ 48,422	(1%)	\$ 44,144	9%	\$144,497	\$118,591	22%
Term deposit interest and expenses [B]	\$ 28,021	\$ 27,526	2%	\$ 21,083	33%	\$ 81,617	\$ 53,858	52%
Net corporate mortgage spread income <sup>1</sup> [A-B]	\$ 20,046	\$ 20,896	(4%)	\$ 23,061	(13%)	\$ 62,880	\$ 64,733	(3%)
Equity income from MCAP Commercial LP	\$ 6,667	\$ 7,726	(14%)	\$ 4,310	55%	\$ 21,576	\$ 17,581	23%
Net gain (loss) on securities	\$ 5,671	\$ (715)	893%	\$ (1,581)	459%	\$ 4,983	\$ (5,599)	189%
Net investment income - corporate assets	\$ 33,598	\$ 28,760	17%	\$ 25,656	31%	\$ 92,955	\$ 79,417	17%
Net investment income - securitization assets	\$ 1,620	\$ 1,203	35%	\$ 770	110%	\$ 4,137	\$ 2,801	48%
Net income	\$ 26,892	\$ 19,749	36%	\$ 18,479	46%	\$ 69,861	\$ 57,643	21%
Basic and diluted earnings per share	\$ 0.70	\$ 0.52	35%	\$ 0.53	32%	\$ 1.87	\$ 1.66	13%
Dividends per share - cash	\$ 0.39	\$ 0.39	—%	\$ 0.38	3%	\$ 1.17	\$ 1.10	6%
Next quarter's dividend per share - cash	\$ 0.39							
Return on average shareholders' equity <sup>1</sup>	18.16 %	13.63 %	4.53%	14.20 %	3.96%	16.29 %	15.06 %	1.23%
Taxable income per share <sup>2</sup>	\$ 0.25	\$ 0.44	(43%)	\$ 0.45	(44%)	\$ 1.35	\$ 1.44	(6%)
<b>Yields</b>								
Spread of corporate mortgages over term deposit interest and expenses <sup>1</sup>	2.78 %	2.93 %	(0.15%)	3.49 %	(0.71%)	2.95 %	3.64 %	(0.69%)
Spread of securitized mortgages over liabilities <sup>1</sup>	0.49 %	0.46 %	0.03%	0.42 %	0.07%	0.47 %	0.39 %	0.08%
<b>Average term to maturity (in months)</b>								
Mortgages - corporate	12.9	12.1	7%	13.1	(2%)			
Term deposits	19.1	19.2	(1%)	19.2	(1%)			
	<b>Sept 30</b>	<b>Jun 30</b>	<b>Change</b>	<b>Dec 31</b>	<b>Change</b>			
	<b>2024</b>	<b>2024</b>	<b>(%)</b>	<b>2023</b>	<b>(%)</b>			
<b>Balance Sheet Highlights</b>								
Total assets	\$ 5,213,284	\$ 5,096,887	2%	\$ 4,739,087	10%			
Mortgages - corporate	\$ 2,472,019	\$ 2,499,887	(1%)	\$ 2,414,855	2%			
Mortgages - securitized	\$ 2,289,587	\$ 2,169,799	6%	\$ 1,929,948	19%			
Total liabilities	\$ 4,611,444	\$ 4,511,676	2%	\$ 4,207,243	10%			
Shareholders' equity	\$ 601,840	\$ 585,211	3%	\$ 531,844	13%			
<b>Capital Ratios</b>								
Income tax assets to capital ratio <sup>2</sup>	5.38	5.34	1%	5.52	(3%)			
CET 1 & Tier 1 capital ratio <sup>4</sup>	19.94 %	19.10 %	0.84%	17.61 %	2.33%			
Total capital ratio <sup>4</sup>	20.19 %	19.35 %	0.84%	17.91 %	2.28%			
Leverage ratio <sup>3</sup>	9.99 %	9.85 %	0.14%	9.49 %	0.50%			
<b>Credit Quality</b>								
Impaired mortgage ratio (corporate) <sup>1</sup>	2.26 %	3.50 %	(1.24%)	3.26 %	(1.00%)			
Impaired mortgage ratio (total) <sup>1</sup>	1.19 %	1.90 %	(0.71%)	1.82 %	(0.63%)			
<b>Mortgage Arrears</b>								
Corporate	\$ 139,427	\$ 136,499	2%	\$ 112,789	24%			
Securitized	6,333	5,278	20%	4,661	36%			
Total	\$ 145,760	\$ 141,777	3%	\$ 117,450	24%			
<b>Common Share Information (end of period)</b>								
Number of common shares outstanding	38,463	38,153	1%	35,432	9%			
Book value per common share <sup>1</sup>	\$ 15.65	\$ 15.34	2%	\$ 15.01	4%			
Common share price - close	\$ 17.98	\$ 16.10	12%	\$ 15.89	13%			
Market capitalization	\$ 691,565	\$ 614,263	13%	\$ 563,014	23%			

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines.

Table 2: Financial Statement Highlights - Quarterly

(in thousands except per share amounts, % and where indicated)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
<b>Income Statement Highlights</b>								
Mortgage interest - corporate assets [A]	\$48,067	\$48,422	\$48,008	\$47,406	\$44,144	\$38,691	\$35,756	\$30,747
Term deposit interest and expenses [B]	\$28,021	\$27,526	\$26,070	\$24,361	\$21,083	\$18,034	\$14,741	\$13,189
Net corporate mortgage spread income <sup>1</sup> [A-B]	\$20,046	\$20,896	\$21,938	\$23,045	\$23,061	\$20,657	\$21,015	\$17,558
Equity income from MCAP Commercial LP	\$ 6,667	\$ 7,726	\$ 7,183	\$ 4,429	\$ 4,310	\$ 5,268	\$ 8,003	\$ 6,860
Net gain (loss) on securities	\$ 5,671	\$ (715)	\$ 27	\$ 1,977	\$ (1,581)	\$ (5,017)	\$ 999	\$ 1,735
Net investment income - corporate assets	\$33,598	\$28,760	\$30,597	\$28,130	\$25,656	\$23,139	\$30,622	\$30,734
Net investment income - securitization assets	\$ 1,620	\$ 1,203	\$ 1,314	\$ 1,451	\$ 770	\$ 1,159	\$ 872	\$ 838
Net income	\$26,892	\$19,749	\$23,220	\$19,855	\$18,479	\$15,887	\$23,277	\$24,088
Basic and diluted earnings per share	\$ 0.70	\$ 0.52	\$ 0.65	\$ 0.56	\$ 0.53	\$ 0.46	\$ 0.67	\$ 0.75
Dividends per share - cash	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.38	\$ 0.38	\$ 0.36	\$ 0.36	\$ 0.36
Return on average shareholders' equity <sup>1</sup>	18.16 %	13.63 %	17.09 %	15.01 %	14.20 %	12.47 %	18.60 %	21.17 %
Taxable income (loss) per share <sup>2</sup>	\$ 0.25	\$ 0.44	\$ 0.67	\$ (0.13)	\$ 0.45	\$ 0.66	\$ 0.33	\$ 1.11
<b>Spreads</b>								
Spread of corporate mortgages over term deposit interest and expenses <sup>1</sup>	2.78 %	2.93 %	3.14 %	3.34 %	3.49 %	3.63 %	3.78 %	3.32 %
Spread of securitized mortgages over liabilities <sup>1</sup>	0.49 %	0.46 %	0.46 %	0.39 %	0.42 %	0.39 %	0.39 %	0.39 %
<b>Average term to maturity (in months)</b>								
Mortgages - corporate	12.9	12.1	11.5	12.7	13.1	12.7	11.5	11.4
Term deposits	19.1	19.2	18.2	18.5	19.2	16.1	14.9	16.0
<b>Balance Sheet Highlights (\$ million)</b>								
Total assets	\$ 5,213	\$ 5,097	\$ 4,894	\$ 4,739	\$ 4,540	\$ 4,427	\$ 4,152	\$ 4,079
Mortgages - corporate	\$ 2,472	\$ 2,500	\$ 2,385	\$ 2,415	\$ 2,338	\$ 2,224	\$ 2,037	\$ 1,939
Mortgages - securitized	\$ 2,290	\$ 2,170	\$ 2,095	\$ 1,930	\$ 1,835	\$ 1,755	\$ 1,724	\$ 1,751
Total liabilities	\$ 4,611	\$ 4,512	\$ 4,318	\$ 4,207	\$ 4,013	\$ 3,910	\$ 3,645	\$ 3,589
Shareholders' equity	\$ 602	\$ 585	\$ 576	\$ 532	\$ 528	\$ 517	\$ 507	\$ 489
<b>Capital Ratios</b>								
Income tax assets to capital ratio <sup>2</sup>	5.38	5.34	5.14	5.52	5.14	5.22	5.02	4.93
CET 1 & Tier 1 capital ratios <sup>4</sup>	19.94 %	19.10 %	19.00 %	17.61 %	17.72 %	17.90 %	19.59 %	19.60 %
Total capital ratio <sup>4</sup>	20.19 %	19.35 %	19.23 %	17.91 %	17.98 %	18.14 %	19.81 %	19.83 %
Leverage ratio <sup>3</sup>	9.99 %	9.85 %	10.11 %	9.49 %	9.76 %	9.71 %	9.94 %	9.83 %
<b>Credit Quality</b>								
Impaired mortgage ratio (corporate) <sup>1</sup>	2.26 %	3.50 %	3.42 %	3.26 %	1.76 %	1.70 %	1.92 %	1.66 %
Impaired mortgage ratio (total) <sup>1</sup>	1.19 %	1.90 %	1.83 %	1.82 %	0.99 %	0.96 %	1.05 %	0.89 %
<b>Mortgage Arrears</b>								
Corporate	\$139,427	\$136,499	\$136,175	\$112,789	\$85,513	\$63,651	\$54,873	\$54,430
Securitized	6,333	5,278	6,085	4,661	4,438	5,130	4,096	3,439
Total	\$145,760	\$141,777	\$142,260	\$117,450	\$89,951	\$68,781	\$58,969	\$57,869
<b>Common Share Information (end of period)</b>								
Number of common shares outstanding	38,463	38,153	37,831	35,432	35,432	35,068	34,788	34,306
Book value of common share <sup>1</sup>	\$ 15.65	\$ 15.34	\$ 15.24	\$ 15.01	\$ 14.89	\$ 14.73	\$ 14.58	\$ 14.26
Common share price - close	\$ 17.98	\$ 16.10	\$ 15.73	\$ 15.89	\$ 15.13	\$ 15.36	\$ 15.00	\$ 15.00
Market capitalization (\$ million)	\$ 692	\$ 614	\$ 595	\$ 563	\$ 536	\$ 539	\$ 522	\$ 515

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines. Effective March 31, 2020, the total capital ratios in 2021 and 2022 reflected 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 were included in CET 1 capital. The adjustment to CET 1 capital was 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, was subject to a scaling factor that decreased over time and was 25% in fiscal 2022.

## Quarterly Trends

- From Q4 2022 and into 2023, we saw some stabilization in interest rates compared to prior periods, but still with a total of 75 basis points increase in interest rates, as well as uncertainty on future increases by the Bank of Canada and on the Canadian economy's risk of recession. There continued to be volatility in REIT stock prices and therefore unrealized losses recorded. In 2024, we saw the beginning of interest rate cuts which helped with a recovery on REIT stock prices, and we had higher equity income from MCAP.
- Beginning in Q4 2022 and continuing through 2023, the rising interest rate environment had increased rates in our floating rate residential construction portfolio above their floor rates and our focus on changing the laddering of the duration of our term deposits had kept average term deposit rates from rising faster than our mortgage rates, which increased our spread of corporate mortgages over term deposit interest and expenses. In 2024, we saw declining spreads of corporate mortgages over term deposit interest and expenses mainly due to higher effective interest rates on our term deposits and fair value hedge costs. This was partially offset by higher average mortgage rates primarily due to the impact of the higher rate environment on our floating rate residential construction loans where interest rates only decreased 25 basis points beginning in Q2 2024. In Q3 2024, we saw a slight decrease in our average mortgage rates primarily due to 50 basis points interest rate cuts impacting our floating rate residential construction loans.
- We saw spreads decline on securitizations in 2022 and through the first half of 2023 as a result of a decline in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields rose significantly in 2022. As a result, we had reduced our securitization volumes in 2022 and 2023. 2023 volumes were also impacted by lower insured residential mortgage originations due to the higher interest rate environment. Since Q4 2023, we have seen better economics on securitizations as the spread of Government of Canada bond yields versus our mortgage rates has widened. We participate in this market opportunistically.
- In Q4 2022, we executed an internal reorganization through a transfer of our equity investment in MCAP to a wholly-owned limited partnership which increased our taxable income. In 2023, we had higher taxable income from our core business as well as from our investment in MCAP. In Q4 2023, we had lower taxable income as a result of tax timing differences on various investing strategies that we engaged in. In 2024, we had higher taxable income as a result of higher taxable income from MCAP and our core business.
- Common Equity Tier 1 ("CET 1"), Tier 1 Capital and Total Capital to risk-weighted assets ratio reductions are generally due to our growing risk-weighted assets compared to our capital base. The Company successfully initiated a \$34 million capital raise by way of a rights offering in December 2022. In 2022, 2023 and 2024, we also raised \$4 million, \$2 million and \$3 million, respectively, of capital through our at-the-market equity program ("ATM Program"). In Q2 2023, our total capital and leverage ratios decreased due to Office of the Superintendent of Financial Institutions Canada's ("OSFI") revised rules that incorporate Basel III reforms that came into effect. In Q1 2024, we raised \$27 million net capital through an overnight marketed share offering. Improvement to our ratios in Q1 and Q2 2024 was due to our overnight marketed offering mentioned above. Our Dividend Reinvestment Program ("DRIP") has provided us with a reliable source of capital maintenance each quarter. All of our capital and leverage ratios are within our regulatory and internal risk appetite guidelines.
- Mortgage arrears have varied on a quarterly basis given the nature of the 1-30 day 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. Our greater than 30 days arrears has stabilized compared to Q1 2024 in our uninsured residential mortgages and we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average loan to value ("LTV") of 63.5% at September 30, 2024 based on an industry index of current real estate values. For the construction and commercial mortgage arrears, these loans have either been brought current or we expect them to be brought current, or we have initiated asset recovery programs. We have a strong track record with our default management processes and asset recovery programs as the need arises. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.



## BUSINESS OVERVIEW AND OUTLOOK

We focus over the long term on growing our business and shareholder returns. We believe that our long-term strategy will continue to serve us well, though we also consider the current market conditions in the execution of that strategy. Over the short to mid term, our focus is on maintaining solid net interest margin, managing maturities in our portfolio and investing in, and expanding, our core business within our capital requirements and risk appetite, as well as continuing to invest in our infrastructure and process improvements. We believe that we are a prudent and disciplined lender to, and investor in, real estate markets and that we have strong relationships with our brokers and strategic partners that are foundational to our strategy. This strategy and long-term outlook are based on assumptions from our experience, our market knowledge, and sources we consider reliable.

### Economic Outlook

The Canadian economy and labour markets have weakened under the weight of higher interest rates decelerating gross domestic product growth and a rising unemployment rate. Higher shelter costs, which are directly related to higher interest rates, are still seeing some elevated inflation as well as some elevated wage growth. Most economists now believe that to support economic growth the direction of rate cuts is firmly downwards through 2025 and there is a reasonable expectation inflation will remain close to their target. Higher leveraged households and a weakening job market have shifted consumer spending toward debt servicing and more conservative spending habits. Immigration is helping gross domestic product but it is not currently leading to better economic growth per capita. Most economists believe that there will be more modest gross domestic product growth in the short-term and our unemployment rate will increase. Although much of the Canadian consumer market continues to demonstrate credit strength, there is increasing delinquency rates on non-housing-related consumer debt and some pullback on consumer spending that indicates that the tighter monetary policy and high interest rates have worked their way through the economy. We expect the economy and interest rates to continue to be the dominant concern for 2025.

### Housing Market Outlook

High interest rates and resilient house prices remain headwinds on housing affordability in all provincial markets in the short term where the housing market continues to remain soft. Recent forecasts of further interest rate cuts will provide some relief to homebuyers in the short-term; however, we do not expect a sustained recovery until interest rates come down more meaningfully. In the long term, we believe that material interest rate cuts and the continued supply-demand imbalance will provide upward pressure on sale and home price growth, particularly in and around our core markets of (i) the Greater Toronto area; (ii) the Capital region; and (iii) the Greater Vancouver area. However, housing affordability will likely keep this growth from being even stronger. Housing affordability (including housing supply) continues to be a critical issue for all levels of government and in all provinces where we do business. Federal government policy changes, including expanding the maximum mortgage amortization and raising the cap on insured mortgages, will likely lift home sales but further erode affordability. The lack of supply of affordable housing is not easily resolved in the short term, as there are multiple factors to building new supply (i.e. local/municipal government processes, skilled labour shortages, increased construction costs including higher construction financing rates, lack of new construction technologies, etc.) that limit how many homes can be built in the short term.

### Business Outlook

We believe that our business is well structured with its focus on multiple facets of the Canadian residential real estate market, giving us some flexibility 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. We believe that there is opportunity to grow our core business without taking on significantly more risk. We will also continue to place an emphasis on investing in our business infrastructure and process improvements in order to help drive efficiencies and future growth. We will remain nimble, however, in dealing with any market changes or opportunities that may arise in any of our divisions in the short term, as well as in managing interest rate risk as we see further Bank of Canada rate cuts.

### *MCAN Capital Division*

Our MCAN Capital division manages our construction and commercial lending business, as well as our investments in REITs and private real estate-based development and loan funds. We expect continued high demand for more affordable housing, which is our focus generally with our investments and construction and commercial loans. We have seen growth in our average residential construction and commercial portfolio balance, which is over \$1 billion, but we do expect runoff from completed projects and, therefore, we are building our pipeline to manage those runoffs to try to maintain invested balances. Specifically with respect to construction zoning site delays as well as the aforementioned housing market headwinds on our construction lending portfolio, the vast majority of our loans are progressing towards completion and the few that have stalled are being actively managed to either be brought current or asset recovery programs have been initiated. We continue to monitor that entire portfolio and the market very closely, and we will continue to exercise our strong credit management practices in the context of the market. As well, the cost of construction has increased due to inflationary pressures in the cost of building materials and labour, and there continues to be a shortage of skilled labour within the construction industry. 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 success of these construction projects or the performance of the loans within this portfolio. Our philosophy within our MCAN Capital division is to apply a prudent approach to our underwriting criteria in line with our risk appetite, with a focus on well-located and more affordable residential products, near transit corridors, with experienced borrowers and developers where we have existing relationships. We will continue to remain vigilant in our underwriting and loan management practices and look to onboard new borrowers and developers that fit within our lending philosophy. With respect to our private real estate-based development funds, many of the fund sponsors have been sitting on the sidelines, not committing amounts to new projects given current market conditions. We believe this to be a prudent approach. MCAN has invested in these funds for long-term returns. For projects currently being undertaken, we actively monitor their progress and the fair values of those projects may experience volatility from quarter to quarter. With respect to our REIT portfolio, the expected further interest rate cuts should improve market valuations.

### *MCAN Home Division*

Our MCAN Home division manages our residential lending business. Given the high interest rate environment, our risk management, credit monitoring and assessment activities continue to have a heightened focus in operating our business. We believe we have a portfolio with a strong credit profile with conservative LTV ratios supporting our loans. We continue to focus on proactively protecting our net interest margins on our residential mortgages as they tend to provide comparatively lower yields given their risk profile. We expect an increase in home purchase activity, and more competition in order to attract what demand is coming in for both originations and renewals, when more meaningful interest rate cuts occur and federal government policy actions mentioned above come into effect. OSFI is also eliminating the mortgage stress test for uninsured borrowers who plan to switch lenders upon renewal and implementing a loan-to-income limit for new uninsured residential mortgages beginning in Q1 2025 that will restrict high levels of household debt across each institution's uninsured residential mortgage portfolio. These measures may impact some of our origination and renewal volumes. We are looking to add new products to further broaden our offering to our customers. We remain dedicated to continuously improving our service for our borrowers and the broker community, and as such, we will continue to invest in our current and new systems and business infrastructure to further enhance our service experience. We will also look to expand to other urban markets within Canada. We will continue to keep abreast of the many changes in the market, the regulatory environment and in our portfolios that could impact our business or that could create opportunities in line with our risk appetite.

### *MCAN Wealth Division*

Our MCAN Wealth division manages our term deposit business. We issue both retail and wholesale term deposits that are eligible for CDIC deposit insurance that are sourced through a network of independent brokers and financial agents, as well as through our digital direct-to-consumer platform. We expect strong originations of term deposits given the level of corporate growth and higher mortgage renewals. We expect there will continue to be volatility in the Government of Canada bond yield curve and, therefore, volatility in pricing in the term deposit market due to changes in deposit customer demand from further interest rate cuts and related higher demand by financial institutions for term deposits. Given forecasted interest rates, we continue to look for opportunities to adjust the maturity terms of our term deposits relative to our corporate mortgage portfolio. We will continue to utilize our hedging strategies to minimize interest rate risk in a declining rate environment, particularly as our floating rate construction lending portfolio floats down to floor rates. We will continue to expand our broker networks, grow our direct-to-consumer platform and look for



other channels to source term deposits. We have invested in, and expect to continue to invest in, our current and new systems and business infrastructure and processes to drive efficiencies.

We are expanding and maturing our capital markets, investor relations and funding strategies over the long term to continue our growth. That growth will be dependent on capital availability and, therefore, the strength of capital markets and existing shareholder demand for our shares. We will continue to leverage our ATM program and other share offerings when it makes sense. MCAN's management and Board are committed to proactively and effectively managing and evolving all our strategies, business activities and team to achieve our targeted average annual growth in corporate assets over the long term of 10%.

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

## HIGHLIGHTS

## Q3 2024

- Net income totalled \$26.9 million in Q3 2024, an increase of \$8.4 million (46%) from \$18.5 million in Q3 2023. Results for the third quarter of 2024 were impacted by higher unrealized gains on our REIT portfolio and higher income from MCAP partially offset by a higher provision for credit losses.
- Earnings per share totalled \$0.70 in Q3 2024, an increase of \$0.17 (32%) from earnings per share of \$0.53 in Q3 2023.
- Return on average shareholders' equity<sup>1</sup> was 18.16% for Q3 2024 compared to 14.20% in Q3 2023.
- Net corporate mortgage spread income<sup>1</sup> is derived from both our residential lending portfolio and our construction and commercial portfolio. It decreased by \$3.0 million from Q3 2023. The net corporate mortgage spread income decreased due to a reduction in the spread of corporate mortgages over term deposit interest and expenses partially offset by a higher average corporate mortgage portfolio balance from continued mortgage originations and renewals. The decrease in the spread of corporate mortgages over term deposit interest and expenses is mainly due to higher effective interest rates on our term deposits and fair value hedge costs.
- Net securitized mortgage spread income<sup>1</sup> increased by \$1.1 million from Q3 2023. The net securitized mortgage spread income increased due to a higher spread of securitized mortgages over liabilities and a higher average securitized mortgage portfolio balance from higher securitization volumes of insured residential mortgages exceeding maturities. We have seen better economics on securitizations as the spread of Government of Canada bond yields versus our mortgage rates has widened in a declining interest rate environment.
- Provision for credit losses on our corporate mortgage portfolio of \$1.3 million in Q3 2024 was mainly due to less favourable underlying economic forecasts relating to unemployment rates and interest provisioning on impaired residential construction loans. We have a strong track record with our asset recovery programs on our construction loans as the need arises. Our realized loan losses on our construction portfolio have been negligible in the last 10 years. In Q3 2023, we had a provision for credit losses of \$0.4 million mainly due to growth in our portfolio and less favourable underlying economic forecasts.
- Equity income from MCAP totalled \$6.7 million in Q3 2024, an increase of \$2.4 million (55%) from \$4.3 million in Q3 2023, which was primarily due to (i) higher securitized mortgage net interest income from more favourable spreads and a higher average securitized portfolio; (ii) higher mortgage origination fees as a result of wider mortgage spreads and hedge losses; and (iii) higher investment revenue from higher average balances of non-securitized mortgages. These were partially offset by (i) higher interest expense on credit facilities; (ii) higher securitization expenses; and (iii) lower financial instrument gains mainly due to hedge losses.
- Net unrealized fair value gain on our marketable securities of \$9.6 million in Q3 2024 compared to a \$3.6 million net unrealized fair value loss in Q3 2023. We expect some additional recovery in the REIT market given a declining interest rate environment. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments. In Q3 2024, we received distributions of \$0.8 million (distribution yield<sup>1</sup> of 6.06%) from our REITs compared to \$0.7 million (distribution yield<sup>1</sup> of 5.68%) in Q3 2023.
- Net unrealized fair value loss on our non-marketable securities of \$3.9 million in Q3 2024 mainly related to updated property valuations partially offset by increased density approval on one underlying property. In Q3 2023, we had a \$2.1 million net unrealized fair value gain on our non-marketable securities investments due to value-add leasing activity on one underlying property investment.

**Year to Date 2024**

- Net income totalled \$69.9 million for 2024 year to date, an increase of \$12.2 million (21%) from \$57.6 million net income in 2023. Similar to Q3 2024, our year to date results were mainly impacted by higher unrealized gains on our REIT portfolio and higher income from MCAP.
- Earnings per share totalled \$1.87 for 2024 year to date, an increase of \$0.21 (13%) from earnings per share of \$1.66 in 2023.
- Return on average shareholders' equity<sup>1</sup> was 16.29% for 2024 compared to 15.06% in 2023.
- Net corporate mortgage spread income<sup>1</sup> decreased by \$1.9 million from 2023 year to date. The net corporate mortgage spread income decreased due to a reduction in the spread of corporate mortgages over term deposit interest and expenses partially offset by a higher average corporate mortgage portfolio balance from continued originations and renewals. For 2024 year to date, the decrease in the spread of corporate mortgages over term deposit interest and expenses is mainly due to the same factors as for Q3 2024 mentioned above.
- Net securitized mortgage spread income<sup>1</sup> increased by \$2.0 million from 2023 year to date. The net securitized mortgage spread income increased due to an increase in the spread of securitized mortgages over liabilities and a higher average securitized mortgage portfolio balance from higher securitization volumes of insured residential mortgages exceeding maturities. The increase in the net securitized mortgage spread income is due to the same factors as for Q3 2024 mentioned above.
- Provision for credit losses on our corporate mortgage portfolio of \$2.1 million for 2024 year to date mainly due to the same factors as Q3 2024. For 2023 year to date, there was a provision for credit losses of \$2.4 million mainly due to the same factors as described for Q3 2023 mentioned above.
- Equity income from MCAP totalled \$21.6 million for 2024 year to date, an increase of \$4.0 million (23%) from \$17.6 million for 2023 year to date. For 2024 year to date, the increase is mainly due to the same factors as for Q3 2024 mentioned above.
- Net unrealized fair value gain on our marketable securities of \$8.6 million for 2024 year to date compared to a \$7.7 million net unrealized fair value loss for 2023 year to date. We expect some additional recovery in the REIT market given a declining interest rate environment. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments. Year to date, we received distributions of \$2.3 million (distribution yield<sup>1</sup> of 6.02%) from our REITs compared to \$2.8 million (distribution yield<sup>1</sup> of 6.22%) in 2023.
- Net unrealized fair value loss on our non-marketable securities of \$3.6 million for 2024 year to date mainly related to the same factors as for Q3 2024 mentioned above. For 2023 year to date, we had a \$2.1 million net unrealized fair value gain on our non-marketable securities investments due to the same factors as described for Q3 2023 mentioned above. Our non-marketable securities are either held for long-term capital appreciation or distribution income and they tend to improve the diversification, and risk and reward characteristics of our overall investment portfolio. Our real estate development fund investments tend to have less predictable cash flows that are predicated on the completion of the development projects within these funds.

## Business Activity and Balance Sheet

- Our balance sheet management reflects our focus in the short to mid term on maintaining solid net interest margin within our capital requirements and risk appetite.
- Corporate assets totalled \$2.88 billion at September 30, 2024, a net increase of \$16 million (1%) from June 30, 2024 and a net increase of \$124 million (4%) from December 31, 2023.
- Corporate mortgage portfolio totalled \$2.5 billion at September 30, 2024, a net decrease of \$28 million (1%) from June 30, 2024 and a net increase of \$57 million (2%) from December 31, 2023.
- Construction and commercial portfolios totalled \$1.02 billion at September 30, 2024, a net decrease of \$59 million (5%) from June 30, 2024 and a net decrease of \$93 million (8%) from December 31, 2023. The movement in the portfolio is attributed to originations of \$420 million year to date 2024 in new construction and commercial mortgages, offset by repayments on completing projects. Originations have been solid this year and some extensions of projects due to normal construction delays or normal delays relating to the permitting and zoning process has meant that we have not experienced as much run-off in the portfolio as expected. To date, projects continue to progress toward completion.
- Uninsured residential mortgage portfolio totalled \$1.11 billion at September 30, 2024, a net increase of \$53 million (5%) from June 30, 2024 and a net increase of \$139 million (14%) from December 31, 2023. Uninsured residential mortgage originations were \$115 million in Q3 2024, an increase of \$2 million (2%) from Q2 2024 and an increase of \$7 million (7%) from Q3 2023 and \$311 million year to date 2024 compared to \$284 million year to date 2023. We continue to see solid uninsured residential mortgage renewals with \$350 million year to date 2024 compared to \$380 million year to date 2023, as borrowers find it more convenient to stay with their existing lender in the current market environment. We actively manage origination and renewal volumes in order to protect our net interest margins and our bottom line.
- Insured residential mortgage originations were \$171 million in Q3 2024, a decrease of \$14 million (8%) from Q2 2024 and an increase of \$8 million (5%) from Q3 2023, and \$528 million year to date 2024 compared to \$375 million year to date 2023. This includes \$0.4 million insured residential mortgage commitments originated and sold in Q3 2024 under an agreement with MCAP Securities Limited Partnership (“MSLP”), a wholly owned subsidiary of MCAP, compared to \$nil in Q2 2024 and \$3 million in Q3 2023, and \$0.4 million year to date 2024 compared to \$25 million year to date 2023. As we have seen more favourable securitization spreads, we opted to securitize our insured residential mortgages as opposed to selling them at the commitment stage. Insured residential mortgage securitization volumes were \$220 million in Q3 2024, an increase of \$63 million (40%) from Q2 2024 and an increase of \$76 million (53%) from Q3 2023, and \$591 million year to date 2024 compared to \$232 million year to date 2023. Overall, total insured residential mortgage origination volumes are higher due to prior year’s economic uncertainty and the higher interest rate environment impacting prior year origination volumes. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages. We use various channels in funding the insured residential mortgage portfolio, in the context of market conditions and net contributions over the life of the mortgages, in order to support our overall business.

## Dividend

- The Board declared a fourth quarter regular cash dividend of \$0.39 per share to be paid January 2, 2025 to shareholders of record as of December 13, 2024. As a Mortgage Investment Corporation (“MIC”), we are entitled to deduct the dividends that we pay to shareholders from our taxable income.

## Credit Quality

- Arrears total mortgage ratio<sup>1</sup> was 3.06% at September 30, 2024 compared<sup>1</sup> to 3.04% at June 30, 2024 and 2.70% at December 31, 2023. The majority of our 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. While greater than 30 days arrears has increased in our uninsured residential mortgages, we believe

overall that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 63.5% at September 30, 2024 compared to 64.5% at June 30, 2024 and 63.4% at December 31, 2023 based on an industry index of current real estate values. We have also seen our arrears stabilize since Q1 2024. With respect to our construction and commercial loan portfolio, we have a strong track record with our default management processes and asset recovery programs as the need arises.

- Impaired corporate mortgage ratio<sup>1</sup> was 2.26% at September 30, 2024 compared to 3.50% at June 30, 2024 and 3.26% at December 31, 2023. At September 30, 2024, impaired mortgages mainly represent four impaired construction mortgages where asset recovery programs have been initiated.
- Impaired total mortgage ratio<sup>1</sup> was 1.19% at September 30, 2024 compared to 1.90% at June 30, 2024 and 1.82% at December 31, 2023. The decrease to our impaired total mortgage ratio is mainly due to fewer impaired construction mortgages as they were either brought current or we recovered all past due interest and principal.
- Net write-offs were \$nil (0.0 basis points of the average corporate portfolio) in Q3 2024 compared to \$nil (0.0 basis points) in Q3 2023.

## Capital

- We manage our capital and asset balances based on the regulations and limits of both the Tax Act and OSFI.
- We have a Base Shelf prospectus allowing us to make certain public offerings of debt or equity securities during the period that it is effective, through Prospectus Supplements.
  - We have an ATM Program, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, allowing us to issue up to \$30 million common shares to the public from time to time at the market prices prevailing at the time of sale. In Q3 2024, we sold 182,600 common shares at a weighted average price of \$17.75 for gross proceeds of \$3.2 million and net proceeds of \$3.0 million including \$65 thousand of agent commission paid and \$155 thousand of other share issuance costs under the ATM Program. At September 30, 2024, we have \$25.1 million remaining available to be issued through our ATM Program. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion.
- We issued \$2.2 million in new common shares through the Dividend Reinvestment Plan ("DRIP") in Q3 2024 compared to \$4.4 million in Q2 2024 and \$4.0 million in Q3 2023. The DRIP participation rate was 15% for the Q3 2024 dividend (Q2 2024 dividend - 30%; Q3 2023 dividend - 30%).
- Income tax assets to capital ratio<sup>3</sup> was 5.38 at September 30, 2024 compared to 5.34 at June 30, 2024 and 5.52 at December 31, 2023.
- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios<sup>2</sup> were 19.94% at September 30, 2024 compared to 19.10% at June 30, 2024 and 17.61% at December 31, 2023. Total Capital to risk-weighted assets ratio<sup>2</sup> was 20.19% at September 30, 2024 compared to 19.35% at June 30, 2024 and 17.91% at December 31, 2023. Leverage ratio<sup>2</sup> was 9.99% at September 30, 2024 compared to 9.85% at June 30, 2024 and 9.49% at December 31, 2023. Improvement to our capital and leverage ratios in 2024 was due to the timing of our capital raises in 2024.

<sup>1</sup> 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.

<sup>2</sup> These measures have been calculated in accordance with OSFI's Leverage Requirements and Capital Adequacy Requirements guidelines.

<sup>3</sup> 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 Periods Ended	Q3 2024	Q2 2024	Change (%)	Q3 2023	Change (%)	YTD 2024	YTD 2023	Change (%)
<b>Net Investment Income - Corporate Assets</b>								
Mortgage interest	\$ 48,067	\$ 48,422	(1%)	\$ 44,144	9%	\$144,497	\$118,591	22%
Equity income from MCAP Commercial LP	6,667	7,726	(14%)	4,310	55%	21,576	17,581	23%
Non-marketable securities	1,966	1,998	(2%)	2,056	(4%)	5,796	6,706	(14%)
Marketable securities	765	767	—%	693	10%	2,282	2,797	(18%)
Fees	1,024	756	35%	480	113%	2,653	1,689	57%
Interest on cash and other income	920	1,173	(22%)	1,071	(14%)	3,085	3,147	(2%)
Net gain (loss) on securities	5,671	(715)	893%	(1,581)	459%	4,983	(5,599)	189%
Gain on dilution of investment in MCAP Commercial LP	—	680	(100%)	—	n/a	680	1,048	(35%)
	<b>65,080</b>	<b>60,807</b>	<b>7%</b>	<b>51,173</b>	<b>27%</b>	<b>185,552</b>	<b>145,960</b>	<b>27%</b>
Term deposit interest and expenses	28,021	27,526	2%	21,083	33%	81,617	53,858	52%
Mortgage expenses	2,006	2,094	(4%)	1,794	12%	6,154	5,392	14%
Interest on loans payable	153	841	(82%)	2,241	(93%)	2,578	4,813	(46%)
Other financial expenses	—	150	(100%)	—	n/a	150	100	50%
Provision for (recovery of) credit losses	1,302	1,436	(9%)	399	226%	2,098	2,380	(12%)
	<b>31,482</b>	<b>32,047</b>	<b>(2%)</b>	<b>25,517</b>	<b>23%</b>	<b>92,597</b>	<b>66,543</b>	<b>39%</b>
	<b>33,598</b>	<b>28,760</b>	<b>17%</b>	<b>25,656</b>	<b>31%</b>	<b>92,955</b>	<b>79,417</b>	<b>17%</b>
<b>Net Investment Income - Securitization Assets</b>								
Mortgage interest	16,593	14,695	13%	9,616	73%	44,628	28,026	59%
Other securitization income	593	388	53%	453	31%	1,471	1,276	15%
	<b>17,186</b>	<b>15,083</b>	<b>14%</b>	<b>10,069</b>	<b>71%</b>	<b>46,099</b>	<b>29,302</b>	<b>57%</b>
Interest on financial liabilities from securitization	14,064	12,493	13%	8,147	73%	37,744	23,172	63%
Mortgage expenses	1,502	1,387	8%	1,152	30%	4,218	3,329	27%
Provision for (recovery of) credit losses	—	—	n/a	—	n/a	—	—	n/a
	<b>15,566</b>	<b>13,880</b>	<b>12%</b>	<b>9,299</b>	<b>67%</b>	<b>41,962</b>	<b>26,501</b>	<b>58%</b>
	<b>1,620</b>	<b>1,203</b>	<b>35%</b>	<b>770</b>	<b>110%</b>	<b>4,137</b>	<b>2,801</b>	<b>48%</b>
<b>Operating Expenses</b>								
Salaries and benefits	6,627	6,345	4%	6,015	10%	18,971	17,499	8%
General and administrative	1,699	3,280	(48%)	2,527	(33%)	7,971	7,884	1%
	<b>8,326</b>	<b>9,625</b>	<b>(13%)</b>	<b>8,542</b>	<b>(3%)</b>	<b>26,942</b>	<b>25,383</b>	<b>6%</b>
Net income before income taxes	26,892	20,338	32%	17,884	50%	70,150	56,835	23%
Provision for (recovery of) income taxes	—	589	(100%)	(595)	(100%)	289	(808)	(136%)
<b>Net Income</b>	<b>\$ 26,892</b>	<b>\$ 19,749</b>	<b>36%</b>	<b>\$ 18,479</b>	<b>46%</b>	<b>\$ 69,861</b>	<b>\$ 57,643</b>	<b>21%</b>
Basic and diluted earnings per share	\$ 0.70	\$ 0.52	35%	\$ 0.53	32%	\$ 1.87	\$ 1.66	13%
Dividends per share - cash	\$ 0.39	\$ 0.39	—%	\$ 0.38	3%	\$ 1.17	\$ 1.10	6%



## 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 (in thousands except %)	September 30, 2024			June 30, 2024			September 30, 2023		
	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>
Residential mortgages									
Insured	\$ 298,136	\$ 3,148	4.21 %	\$ 319,496	\$ 3,478	4.36 %	\$ 303,108	\$ 3,295	4.04 %
Uninsured	1,078,502	18,692	6.92 %	1,024,037	17,651	6.90 %	930,150	14,750	6.32 %
Uninsured - completed inventory	89,001	2,085	9.31 %	53,382	1,314	9.89 %	9,576	259	10.73 %
Construction loans									
Residential	983,427	23,057	9.32 %	1,018,565	24,665	9.73 %	963,016	23,450	9.87 %
Non residential	5,202	116	8.87 %	2,909	70	9.63 %	3,222	55	6.71 %
Commercial loans									
Multi family residential	55,472	969	8.40 %	55,475	1,220	8.84 %	97,728	2,182	8.85 %
Other	—	—	—	1,040	24	9.17 %	6,291	153	9.62 %
Mortgages - corporate portfolio	\$2,509,740	\$ 48,067	7.66 %	\$2,474,904	\$ 48,422	7.85 %	\$2,313,091	\$ 44,144	7.63 %
Term deposit interest and expenses	2,252,227	28,021	4.88 %	2,206,377	27,526	4.92 %	2,019,738	21,083	4.14 %
Net corporate mortgage spread income <sup>1</sup>		\$ 20,046			\$ 20,896			\$ 23,061	
Spread of corporate mortgages over term deposit interest and expenses <sup>1</sup>			2.78 %			2.93 %			3.49 %
<b>Average term to maturity (months)</b>									
Mortgages - corporate	12.9			12.1			13.1		
Term deposits	19.1			19.2			19.2		

Table 5: Net Mortgage Interest Income and Average Rate by Mortgage Portfolio - Year to Date

For the Nine Months Ended September 30 (in thousands except %)	2024			2023		
	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>
Residential mortgages						
Insured	\$ 299,470	\$ 9,615	4.28 %	\$ 229,578	\$ 6,537	3.80 %
Uninsured	1,030,146	52,837	6.84 %	877,546	38,394	5.83 %
Uninsured - completed inventory	64,071	4,601	9.59 %	25,065	1,782	9.50 %
Construction loans						
Residential	1,018,923	73,525	9.63 %	901,611	65,022	9.57 %
Non residential	3,281	226	9.18 %	1,086	55	6.67 %
Commercial loans						
Multi family residential	55,632	3,642	9.23 %	100,244	6,359	8.48 %
Other commercial	742	51	9.25 %	6,301	442	9.38 %
Mortgages - corporate portfolio	\$ 2,472,265	\$ 144,497	7.81 %	\$ 2,141,431	\$ 118,591	7.36 %
Term deposit interest and expenses	2,201,495	81,617	4.86 %	1,901,975	53,858	3.72 %
Net corporate mortgage spread income <sup>1</sup>		\$ 62,880			\$ 64,733	
Spread of corporate mortgages over term deposit interest and expenses <sup>1</sup>			2.95 %			3.64 %

<sup>1</sup> 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, commission expense and term deposit hedging gains or losses. 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 6: Mortgage Originations**

(in thousands except %)								
	Q3	Q2	Change	Q3	Change	YTD	YTD	Change
For the Periods Ended	2024	2024	(%)	2023	(%)	2024	2023	(%)
<b>Originations</b>								
Residential mortgages - insured fixed <sup>2</sup>	\$ 169,507	\$ 177,684	(5%)	\$ 159,495	6%	\$ 478,667	\$ 359,012	33%
Residential mortgages - insured adjustable rate <sup>2</sup>	1,830	7,583	(76%)	3,878	(53%)	49,127	15,842	210%
Residential mortgages - uninsured	114,624	112,171	2%	107,421	7%	311,249	284,487	9%
Residential mortgages - uninsured completed inventory <sup>1</sup>	23,065	61,607	(63%)	9,502	143%	85,752	18,941	353%
Residential construction <sup>1</sup>	135,077	157,133	(14%)	200,672	(33%)	413,909	472,796	(12%)
Non-residential construction <sup>1</sup>	1,437	4,551	(68%)	3,311	(57%)	6,035	3,311	82%
Commercial <sup>1</sup>	50	—	n/a	—	n/a	50	3,675	(99%)
	<b>\$ 445,590</b>	<b>\$ 520,729</b>	<b>(14%)</b>	<b>\$ 484,279</b>	<b>(8%)</b>	<b>\$1,344,789</b>	<b>\$1,158,064</b>	<b>16%</b>

<sup>1</sup> Construction, commercial and completed inventory originations represent all advances on loans.

<sup>2</sup> Includes insured residential mortgage commitments sold to MSLP that the Company originated.

### Overview

For Q3 2024 and year to date 2024, the decrease in the spread of corporate mortgages over term deposit interest and expenses compared to Q3 2023 and year to date 2023 is mainly due to (i) an increase in average term deposit rates generally exceeding the pace of increase in our mortgage portfolio, given the amount of term deposits we originated coupled with the impact of maturing lower-rate term deposits; (ii) higher competition for residential mortgage originations, particularly insured mortgages, and forecasted interest rate cuts put pressure on new mortgage origination rates; and (iii) term deposit hedge costs on interest rate swaps due to the delayed timing of expected interest rate cuts. For Q3 2024 compared to Q2 2024, the decrease is mainly due to a larger decrease in our mortgage rates compared to term deposit costs mainly due to the 50 bps interest rate cuts during Q3 2024 reducing our mostly floating rate construction and commercial loans. We actively manage our interest rate risk by continually reviewing, and if necessary, changing the laddering of the duration of our term deposits relative to our corporate mortgage portfolio as well as utilizing our hedging strategies to lock-in spreads. For information on our term deposit fair value hedging, see “Derivatives and Hedging” sub-section below.

### Residential Mortgage Lending

Residential mortgages provide comparatively lower yields given their risk profile, with uninsured residential mortgages providing higher yields than insured residential mortgages. We opportunistically invest in our residential uninsured completed inventory portfolio which often migrate from our own construction book.

Excluding uninsured completed inventory, which is invested in opportunistically as deals arise, total origination volumes in Q3 2024, Q2 2024 and year to date 2024 on our residential mortgages were higher compared to Q3 2023 and year to date 2023. The economic and interest rate environment and its impact on the housing market and borrowers has slightly improved due to expectations about further interest rate cuts. Origination volumes this year compared to 2023 also improved as we continued to increase our mortgage lending in the Alberta and British Columbia urban markets. We also saw solid uninsured residential mortgage renewals with \$350 million so far in 2024 compared to \$380 million in 2023, as borrowers continue to find it more convenient to stay with their existing lender in the current market environment.

Our insured adjustable rate residential mortgage product also saw an increase in the current year, as many borrowers believed that interest rates have peaked and that there could be further interest rate cuts in the remainder of 2024 and 2025. Of note, unlike traditional insured variable rate mortgages, payments on our insured adjustable rate residential mortgages adjust as interest rates change with no changes to loan amortization. We also underwrite our insured adjustable rate mortgages for credit quality accordingly and our borrowers expect their payments under this product to change as interest rates change.

We continue to enhance our internal sales and marketing capabilities, and strengthen relationships and customer service with the broker community. 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.

We have an agreement with MSLP, a wholly owned subsidiary of MCAP, whereby MSLP may buy our insured residential mortgage commitments. We originated and sold \$367 thousand in commitments in Q3 2024 (Q2 2024 - \$nil; Q3 2023 - \$3 million) and \$367 thousand year to date 2024 (year to date 2023 - \$25 million) under this agreement.

We securitize our insured residential mortgages opportunistically through the CMHC National Housing Act (“NHA”) Mortgage-Backed Securities (“MBS”) program. Our Q3 2024 residential mortgage securitization volumes were \$220 million (Q2 2024 - \$157 million; Q3 2023 - \$144 million) and \$591 million year to date 2024 (year to date 2023 - \$232 million). As we have seen more favourable securitization spreads, we opted to securitize our insured residential mortgages as opposed to selling them at the commitment stage. Overall, total insured residential mortgage origination volumes are higher due to prior year’s economic uncertainty and the higher interest rate environment impacting prior year origination volumes. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages. Renewals of securitized mortgages fluctuate each period depending on the maturities in the securitization portfolio.

#### *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 including renewal income. At September 30, 2024, we had the renewal rights to \$3.6 billion of residential mortgages (June 30, 2024 - \$3.4 billion; December 31, 2023 - \$3.1 billion).

#### *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 as they tend to provide comparatively higher yields given their risk profile. For Q3 2024 compared to Q2 2024 and Q3 2023, the decrease in interest income is mainly due to Bank of Canada interest rate cuts reducing our mostly floating rate construction and commercial loans. Higher average balances and higher average residential construction rates from the higher interest rate environment for year to date 2024 contributed to a higher corporate mortgage interest compared to year to date 2023. Since this portfolio is entirely at prime-based floating rates, we are utilizing our hedging strategies on term deposits to manage spreads on our construction and commercial loans in a decreasing interest rate environment. For information on our term deposit fair value hedging, see “Derivatives and Hedging” sub-section below.

Some projects have experienced construction delays due to labour shortages and cost overruns from higher interest costs and the inflationary impact on building supplies, which has led to some loan extension and amendment requests. To date, projects continue to progress toward completion. Current impaired construction mortgages include four mortgages where asset recovery programs have already been initiated. We have a strong track record with our default management processes and asset recovery programs as the need arises. Our realized loan losses on our construction portfolio have been negligible in the last 10 years. Our prudent underwriting approach requires satisfactory borrower liquidity, guarantor net worth and presale requirements as applicable to the respective markets.

#### **Equity Income from MCAP**

In Q3 2024, MCAP’s origination volumes were \$6.3 billion, unchanged from \$6.3 billion in Q3 2023. At August 31, 2024 (we account for MCAP on a one-month lag basis), MCAP had \$154.1 billion of assets under management compared to \$155.5 billion at May 31, 2024 and \$153.7 billion at August 31, 2023. Equity income from MCAP totalled \$6.7 million in Q3 2024, an increase of \$2.4 million from \$4.3 million in Q3 2023. For Q3 2024, the increase in equity income from MCAP was primarily due to (i) higher securitized mortgage net interest income from more favourable spreads and a higher average securitized portfolio; (ii) higher mortgage origination fees as a result of wider mortgage spreads and hedge losses; and (iii) higher investment revenue from higher average balances of non-securitized mortgages. These were partially offset by (i) higher interest expense on credit facilities; (ii) higher securitization expenses; and (iii) lower financial instrument gains mainly due to hedge losses. For year to date 2024, equity income from MCAP totalled \$21.6 million, an increase of \$4.0 million from \$17.6 million year to date 2023. For the year to date, the increase in equity income from MCAP was due to the same factors as for Q3 2024 mentioned above.

We recognize equity income from MCAP on a one-month lag such that our 2024 equity income from MCAP is based on MCAP’s net income for the period ended August 31, 2024. 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 \$1.6 million in Q3 2024 (Q3 2023 - \$1.7 million) and \$4.7 million year to date 2024 (year to date 2023 - \$5.7 million). The distribution yield<sup>1</sup> on this portfolio was 11.59% in Q3 2024 (Q3 2023 - 15.51%) and 11.59% year to date 2024 (year to date 2023 - 15.24%).

KingSett Senior Mortgage Fund LP (“KSSMF”): We received distribution income of \$0.4 million in Q3 2024 (Q3 2023 - \$0.3 million) and \$1.1 million year to date 2024 (year to date 2023 - \$0.9 million). The distribution yield<sup>1</sup> on this portfolio was 9.45% in Q3 2024 (Q3 2023 - 10.43%) and 9.01% year to date 2024 (year to date 2023 - 10.23%).

The distribution yield has been calculated based on the average portfolio carrying value. For further information, refer to the “Other Corporate Assets” section of this MD&A.

**Marketable Securities**

Marketable securities income consists of distributions from our REIT portfolio. The distribution yield<sup>1</sup> on this portfolio was 6.06% in Q3 2024 (Q3 2023 - 5.68%) and 6.02% year to date 2024 (year to date 2023 - 6.22%). For year to date, the lower distribution yield is mainly due to lower distribution income from the underlying REITs. The distribution yield has been calculated based on the average portfolio carrying value.

**Fees**

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

**Net Gain (Loss) on Securities**

In Q3 2024, we recorded a \$5.7 million net unrealized gain on securities compared to a \$1.6 million net unrealized loss on securities in Q3 2023. Our year to date net unrealized gain on securities was \$5.0 million for 2024 compared to a year to date net unrealized loss on securities of \$5.6 million for 2023.

Q3 2024’s net unrealized gain is made up of an unrealized gain on marketable securities of \$9.6 million and a \$3.9 million unrealized loss on non-marketable securities. Year to date 2024’s net unrealized gain is made up of a \$8.6 million unrealized gain on marketable securities and a \$3.6 million net unrealized loss on non-marketable securities. Year to date 2024 saw REIT prices increase due to certainty around declining interest rates compared to uncertainty in the prior year. We expect some additional recovery in the REIT market given a declining interest rate environment. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments. With respect to our non-marketable securities, our current year to date unrealized loss is mainly related to updated property valuations partially offset by increased density approval on one underlying property. Our non-marketable securities are either held for long-term capital appreciation or distribution income and they tend to improve the diversification, and risk and reward characteristics of our overall investment portfolio. Our real estate development fund investments tend to have less predictable cash flows that are predicated on the completion of the development projects within these funds.

**Gain on Dilution of Investment in MCAP**

In Q2 2024, MCAP issued additional class B units to team members of MCAP. As a result of the issuance of new units at prices in excess of the per-unit carrying value of the investment, we recorded a dilution gain of \$0.7 million in Q2 2024.

**Term Deposit Interest and Expenses**

The increase in term deposit interest and expenses for the current quarter and year to date 2024 compared to prior periods was mostly due to a larger average term deposits balance, higher average term deposit rates from the higher interest rate environment and hedge costs on interest rate swaps due to the delayed timing of interest rate cuts. We have been actively managing our interest rate risk during this period of changing interest rates by changing the laddering of the duration of our term deposits relative to our corporate mortgage portfolio and utilizing hedging strategies. Term deposit expenses include costs related to insurance, operating infrastructure and administration. For information on our term deposit fair value hedging, see “Derivatives and Hedging” sub-section below.

<sup>1</sup> 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 \$220 million in Q3 2024 (Q3 2023 - \$144 million) and \$591 million year to date 2024 (year to date 2023 - \$232 million). The increase compared to the prior year was due to higher securitization volumes of insured residential mortgages as well as better economics on securitization spreads. As securitization spreads continue to be favourable, we expect to continue to be aggressive in originating insured residential mortgages for securitization.

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

<sup>1</sup> 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.

**Table 7: Net Mortgage Interest Income and Average Rate for Securitized Mortgage Portfolio - Quarterly**

For the Quarters Ended	September 30, 2024			June 30, 2024			September 30, 2023		
	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>
(in thousands except %)									
Mortgages - securitized portfolio	\$2,185,630	\$ 16,593	3.04 %	\$2,049,672	\$ 14,695	2.88 %	\$1,723,456	\$ 9,616	2.28 %
Financial liabilities from securitization	2,207,995	14,064	2.55 %	2,067,830	12,493	2.42 %	1,738,809	8,147	1.86 %
Net securitized mortgage spread income <sup>1</sup>		\$ 2,529			\$ 2,202			\$ 1,469	
Spread of securitized mortgages over liabilities <sup>1</sup>			0.49 %			0.46 %			0.42 %

**Table 8: Net Mortgage Interest Income and Average Rate for Securitized Mortgage Portfolio - Year to Date**

For the Nine Months Ended September 30	2024			2023		
	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>	Average Balance <sup>1</sup>	Interest Income	Average Rate <sup>1</sup>
(in thousands except %)						
Mortgages - securitized portfolio	\$ 2,068,156	\$ 44,628	2.89 %	\$ 1,715,471	\$ 28,026	2.18 %
Financial liabilities from securitization	2,084,719	37,744	2.42 %	1,726,550	23,172	1.79 %
Net securitized mortgage spread income <sup>1</sup>		\$ 6,884			\$ 4,854	
Spread of securitized mortgages over liabilities <sup>1</sup>			0.47 %			0.39 %

<sup>1</sup> 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, indemnity expense and cash flow hedging gain/loss. 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 2024, we have seen average spreads improve on securitizations compared to Q2 2024 and year to date 2023 as a result of an increase in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields have been declining on the expectation of a declining interest rate environment.

## Derivatives and Hedging

### Cash Flow Hedging

We may enter into Government of Canada bond forward contracts to hedge interest rate risk arising from the impact of (i) movements in interest rates between the time insured residential mortgages are funded and the time that these mortgages are securitized; and (ii) movements in interest rates between the time term deposit funding is forecasted to be required and the time that the actual funding occurs. Hedges are structured such that the fair value movements of the hedge instruments offset, within a reasonable range, the changes in fair value of either the pool of fixed-rate mortgages or term deposits due to interest rate fluctuations. The term of our cash flow hedges is generally less than 60 days. The derivative instruments are settled at either the time of securitization or funding of the term deposits, as applicable. We apply cash flow hedge accounting to these derivative transactions with the intention to recognize the effective matching of the gain or loss on the derivative transactions with the recognition of the related interest expense for either the securitization or term deposit funding.

At September 30, 2024, we had \$nil of derivatives outstanding relating to cash flow hedges (June 30, 2024 - \$nil; December 31, 2023 - \$nil) on our consolidated balance sheets. In Q3 2024, we had net fair value losses of \$0.7 million (Q2 2024 - \$1.3 million

fair value losses; Q3 2023 - \$0.6 million fair value gains), and year to date 2024, we had net fair value losses of \$1.9 million (year to date 2023 - \$2.5 million fair value gains) on our derivative transactions recognized in accumulated other comprehensive income.

### Fair Value Hedging

We may enter into interest rate swaps to hedge interest rate risk arising from fair value changes in our fixed-rate term deposits due to movements in interest rates. Hedges are structured such that the fair value movements of the hedge instruments offset, within a reasonable range, the changes in fair value of the pool of term deposits due to interest rate fluctuations. The terms of our fair value hedges are generally less than 2 years but may go up to 5 years. The derivative instruments are settled at the time of maturity of the pool of term deposits. We apply fair value hedge accounting to these derivative transactions with the intention to recognize the effective matching of the fair value gain or loss on the derivative transactions with the fair value gain or loss on the pool of term deposits, within a reasonable range. Any unmatched fair value is recorded in term deposit interest and expenses as hedge ineffectiveness.

At September 30, 2024, the Company had \$2.5 million of derivative financial assets outstanding relating to fair value hedges (June 30, 2024 - \$0.1 million liabilities; December 31, 2023 - \$0.2 million assets).

Achieving hedge accounting for both our cash flow and fair values hedges allows us to reduce our net income volatility related to changes in interest rates. All of our derivative transactions are with highly rated Canadian financial institutions.

For further information, refer to Note 11 to the interim consolidated financial statements.

### Provision for (Recovery of) Credit Losses

**Table 9: Provision for (Recovery of) Credit Losses and Write-offs**

(in thousands except basis points and %)								
For the Periods Ended	Q3 2024	Q2 2024	Change (%)	Q3 2023	Change (%)	YTD 2024	YTD 2023	Change (%)
Provision for (recovery of) impaired corporate mortgages								
Residential mortgages								
Uninsured	\$ 337	146	131%	204	65%	\$ 939	\$ 235	300%
Construction loans	861	652	32%	711	21%	2,168	711	205%
Commercial loans								
Other commercial	—	—	n/a	(995)	100%	—	225	(100%)
	1,198	798	50%	(80)	1,598%	3,107	1,171	165%
Provision for (recovery of) performing corporate mortgages								
Residential mortgages								
Uninsured	371	103	260%	208	78%	401	469	(14%)
Uninsured - completed inventory	365	201	82%	36	914%	404	(114)	454%
Construction loans	(696)	305	(328%)	355	(296%)	(1,752)	1,096	(260%)
Commercial loans								
Multi family residential	44	25	76%	(125)	135%	(84)	(218)	61%
Other commercial	—	(2)	100%	(3)	100%	(2)	(30)	93%
	84	632	(87%)	471	(82%)	(1,033)	1,203	(186%)
Other provisions (recoveries)	20	6	233%	8	150%	24	6	300%
Total corporate provision for (recovery of) credit losses	1,302	1,436	(9%)	399	226%	2,098	2,380	(12%)
Provision for (recovery of) performing securitized mortgages	—	—	n/a	—	n/a	—	—	n/a
Total provision for (recovery of) credit losses	\$ 1,302	\$ 1,436	(9%)	\$ 399	226%	\$ 2,098	\$ 2,380	(12%)
<b>Corporate mortgage portfolio data:</b>								
Provision for (recovery of) credit losses, net	\$ 1,282	\$ 1,430	(10%)	\$ 391	228%	\$ 2,074	\$ 2,374	(13%)
Net write offs	\$ —	\$ —	n/a	\$ —	n/a	\$ 19	\$ —	n/a
Net write offs (basis points)	—	—	n/a	—	n/a	0.1	—	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 provision for credit losses on our corporate mortgage portfolio of \$1.3 million in Q3 2024, which was mainly due to less favourable underlying economic forecasts relating to unemployment rates and interest provisioning on impaired residential construction loans. In Q3 2023, we had a provision for credit losses of \$0.4 million mainly due to growth in our portfolio and less favourable underlying economic forecasts. We had a provision for credit losses on our corporate mortgage portfolio of \$2.1 million for year to date 2024 mainly due to the same factors as described for Q3 2024. The current changing interest rate environment has increased the level of uncertainty with respect to management's judgements and estimates including the probability weights assigned to each scenario, the impacts of monetary policy on macroeconomic indicators and the mortgage portfolio. These judgments and uncertainties have been made or assessed with reference to the facts, projections and other circumstances at September 30, 2024. IFRS 9, Financial Instruments ("IFRS 9") does not permit the use of hindsight in measuring provisions for credit losses. Since September 30, 2024, forecasts around these uncertainties have continued to evolve. Any new forward-looking information subsequent to September 30, 2024, 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.

## Operating Expenses

**Table 10: Operating Expenses**

(in thousands except %)								
For the Periods Ended	Q3 2024	Q2 2024	Change (%)	Q3 2023	Change (%)	YTD 2024	YTD 2023	Change (%)
Salaries and benefits	\$ 6,627	\$ 6,345	4%	\$ 6,015	10%	\$ 18,971	\$ 17,499	8%
General and administrative	1,699	3,280	(48%)	2,527	(33%)	7,971	7,884	1%
	<b>\$ 8,326</b>	<b>\$ 9,625</b>	<b>(13%)</b>	<b>\$ 8,542</b>	<b>(3%)</b>	<b>\$ 26,942</b>	<b>\$ 25,383</b>	<b>6%</b>

The increase in salaries and benefits in 2024 is due to additional resources as well as regular pay increases.

## Taxable Income

The table below provides a reconciliation between consolidated net income (loss) for accounting purposes and non-consolidated taxable income (loss). Taxable income is calculated in accordance with the Tax Act. In order to take advantage of the tax benefits of our 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 11: Taxable Income Reconciliation**

(in thousands)				
For the Periods Ended	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Consolidated net income for accounting purposes	\$ 26,892	\$ 18,479	\$ 69,861	\$ 57,643
Adjustments to calculate taxable income (loss):				
Reverse: Equity income from MCAP - accounting purposes	(6,667)	(4,310)	(21,576)	(17,581)
Add: MCAP taxable income (loss)	(6,775)	(1,409)	553	310
Reverse: Provision for (recovery of) credit losses <sup>2</sup>	224	463	(716)	1,319
Add: Amortization of upfront securitization program costs <sup>3</sup>	3,628	2,738	10,726	8,157
Deduct: Securitization program mortgage origination costs <sup>3</sup>	(5,475)	(356)	(8,440)	(2,039)
Add: Securitization program premium (discount)	1,187	(2,585)	2,790	(2,811)
Reverse: Net unrealized loss (gain) on securities <sup>4</sup>	(5,671)	3,643	(4,983)	7,661
Reverse: Loss (income) earned in subsidiaries <sup>5</sup>	2,649	(775)	2,361	(1,503)
Deduct: Gain on dilution of MCAP <sup>6</sup>	—	—	(680)	(1,048)
Other items	(564)	(23)	411	56
<b>Taxable Income (Loss)<sup>1</sup></b>	<b>\$ 9,428</b>	<b>\$ 15,865</b>	<b>\$ 50,307</b>	<b>\$ 50,164</b>

<sup>1</sup> 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.

<sup>2</sup> Provisions on performing mortgages are excluded from the calculation of taxable income; provisions on impaired mortgages are 90% deductible for tax purposes.

<sup>3</sup> 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.

<sup>4</sup> Excluded from the calculation of taxable income; only includes net realized gains and losses recognized in the MIC entity.

<sup>5</sup> Represents the component of consolidated income that is earned outside of the MIC entity, therefore excluded in the calculation of taxable income.

<sup>6</sup> Not recognizable in the calculation of taxable income.

Taxable income for year to date 2024 compared to year to date 2023 was relatively unchanged. As a MIC, we pay out all of our taxable income to shareholders through dividends.

## FINANCIAL POSITION

## Assets

Table 12: Assets

(in thousands except %)	September 30 2024	June 30 2024	Change (%)	December 31 2023	Change (%)
<b>Corporate Assets</b>					
Cash and cash equivalents	\$ 86,706	\$ 60,164	44%	\$ 60,345	44%
Marketable securities	59,081	49,512	19%	50,320	17%
Mortgages	2,472,019	2,499,887	(1%)	2,414,855	2%
Non-marketable securities	113,848	116,485	(2%)	109,943	4%
Equity investment in MCAP Commercial LP	119,705	118,477	1%	111,367	7%
Deferred tax asset	478	183	161%	336	42%
Derivative financial instruments	2,500	—	n/a	198	1,163%
Other assets	25,657	19,643	31%	8,965	186%
	<b>2,879,994</b>	<b>2,864,351</b>	<b>1%</b>	<b>2,756,329</b>	<b>4%</b>
<b>Securitization Assets</b>					
Cash held in trust	24,868	44,097	(44%)	30,909	(20%)
Mortgages	2,289,587	2,169,799	6%	1,929,948	19%
Other assets	18,835	18,640	1%	21,901	(14%)
	<b>2,333,290</b>	<b>2,232,536</b>	<b>5%</b>	<b>1,982,758</b>	<b>18%</b>
	<b>\$ 5,213,284</b>	<b>\$ 5,096,887</b>	<b>2%</b>	<b>\$ 4,739,087</b>	<b>10%</b>

Our total corporate and securitized assets increased compared to June 30, 2024 and December 31, 2023 primarily due to origination volumes, including strong renewal activity in our residential mortgage portfolio, outpacing maturities.

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. These segments are 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 in proximity to transit. We focus on a diverse portfolio of predominantly first mortgage positions with 65-75% LTVs in our normal segment of lending. At September 30, 2024, the average outstanding construction loan balance was \$10 million (June 30, 2024 - \$10 million; December 31, 2023 - \$11 million) with a maximum individual loan commitment of \$38 million (June 30, 2024 - \$38 million; December 31, 2023 - \$40 million).

## Securitized Mortgages

We are an NHA MBS issuer, which involves the securitization of insured mortgages to create MBS. Securitization assets consist 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 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.

We securitized \$220 million in Q3 2024 (Q2 2024 - \$157 million; Q3 2023 - \$144 million) and \$591 million year to date 2024 (year to date 2023 - \$232 million) of insured residential mortgages through the market MBS program and CMB program. Overall, total insured residential mortgage origination volumes are higher due to prior year’s economic uncertainty and the higher interest rate environment impacting prior year origination volumes. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages.

We may issue market MBS through the NHA MBS program and retain the underlying MBS security for liquidity purposes rather than selling the MBS to a third party. At September 30, 2024, we held \$126 million of retained MBS on our balance sheet (June 30, 2024 - \$120 million; December 31, 2023 - \$125 million), which is included in the insured residential mortgage portfolio in corporate mortgages.

**Table 13: Mortgage Summary**

(in thousands except %)	September 30 2024	June 30 2024	Change (%)	December 31 2023	Change (%)
<b>Corporate portfolio</b>					
Residential mortgages					
Insured	\$ 250,660	\$ 280,452	(11%)	\$ 276,685	(9%)
Uninsured	1,106,088	1,053,032	5%	966,726	14%
Uninsured - completed inventory	91,203	83,481	9%	54,367	68%
Construction loans	968,433	1,027,226	(6%)	1,045,768	(7%)
Commercial loans					
Multi family residential	55,635	55,696	—%	70,103	(21%)
Other commercial	—	—	n/a	1,206	(100%)
	<b>2,472,019</b>	<b>2,499,887</b>	<b>(1%)</b>	<b>2,414,855</b>	<b>2%</b>
<b>Securitized portfolio</b>	<b>2,289,587</b>	<b>2,169,799</b>	<b>6%</b>	<b>1,929,948</b>	<b>19%</b>
	<b>\$ 4,761,606</b>	<b>\$ 4,669,686</b>	<b>2%</b>	<b>\$ 4,344,803</b>	<b>10%</b>

**Table 14: Corporate Mortgage Portfolio Continuity for Q3 2024**

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
<b>Balance, beginning of the period</b>	<b>\$ 280,452</b>	<b>\$ 1,053,032</b>	<b>\$ 83,481</b>	<b>\$ 1,027,226</b>	<b>\$ 55,696</b>	<b>\$ 2,499,887</b>
Originations <sup>1</sup>	248,735	181,719	23,065	136,514	—	590,033
Payments and prepayments	(3,143)	(3,481)	(15,144)	(193,753)	—	(215,521)
Maturities	(54,320)	(123,801)	—	—	—	(178,121)
Securitizations	(220,150)	—	—	—	—	(220,150)
Sale of commitments	(367)	(1,218)	—	—	—	(1,585)
Capitalization and amortization of fees	(547)	(163)	(199)	(1,554)	(61)	(2,524)
<b>Balance, end of the period</b>	<b>\$ 250,660</b>	<b>\$ 1,106,088</b>	<b>\$ 91,203</b>	<b>\$ 968,433</b>	<b>\$ 55,635</b>	<b>\$ 2,472,019</b>

<sup>1</sup> Includes originations, including insured residential mortgage commitments originated and sold to MCAP, renewals and transfers in from our securitization portfolio.

**Table 15: Corporate Mortgage Portfolio Continuity for Q3 2023**

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
<b>Balance, beginning of the period</b>	\$ 244,600	\$ 906,074	\$ 9,803	\$ 956,569	\$ 107,381	\$ 2,224,427
Originations <sup>1</sup>	198,914	215,103	9,502	203,882	—	627,401
Payments and prepayments	(2,846)	(3,923)	(1,046)	(163,581)	(12,021)	(183,417)
Maturities	(24,172)	(161,331)	—	—	—	(185,503)
Securitized	(144,238)	—	—	—	—	(144,238)
Sale of commitments	(3,081)	—	—	—	—	(3,081)
Capitalization and amortization of fees	94	265	(58)	553	1,274	2,128
<b>Balance, end of the period</b>	\$ 269,271	\$ 956,188	\$ 18,201	\$ 997,423	\$ 96,634	\$ 2,337,717

<sup>1</sup> includes originations, including insured residential mortgage commitments originated and sold to MCAP, renewals and transfers in from our securitization portfolio.

**Table 16: Corporate Mortgage Portfolio Continuity for Year to Date 2024**

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
<b>Balance, beginning of the period</b>	\$ 276,685	\$ 966,726	\$ 54,367	\$ 1,045,768	\$ 71,309	\$ 2,414,855
Originations <sup>1</sup>	677,196	573,346	85,752	432,632	—	1,768,926
Payments and prepayments	(9,755)	(10,128)	(48,626)	(512,588)	(15,673)	(596,770)
Maturities	(103,480)	(422,887)	—	—	—	(526,367)
Securitized	(589,009)	—	—	—	—	(589,009)
Sale of commitments	(367)	(1,218)	—	—	—	(1,585)
Capitalization and amortization of fees	(610)	249	(290)	2,621	(1)	1,969
<b>Balance, end of the period</b>	\$ 250,660	\$ 1,106,088	\$ 91,203	\$ 968,433	\$ 55,635	\$ 2,472,019

<sup>1</sup> includes originations, including insured residential mortgage commitments originated and sold to MCAP, renewals and transfers in from our securitization portfolio.

**Table 17: Corporate Mortgage Portfolio Continuity for Year to Date 2023**

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
<b>Balance, beginning of the period</b>	\$ 144,569	\$ 828,540	\$ 36,680	\$ 825,126	\$ 104,579	\$ 1,939,494
Originations <sup>1</sup>	448,886	607,494	18,941	474,626	3,675	1,553,622
Payments and prepayments	(7,252)	(12,824)	(37,357)	(306,444)	(12,063)	(375,940)
Maturities	(62,294)	(468,345)	—	—	—	(530,639)
Securitized	(231,332)	—	—	—	—	(231,332)
Sale of commitments	(24,876)	—	—	—	—	(24,876)
Capitalization and amortization of fees	1,570	1,323	(63)	4,115	443	7,388
<b>Balance, end of the period</b>	\$ 269,271	\$ 956,188	\$ 18,201	\$ 997,423	\$ 96,634	\$ 2,337,717

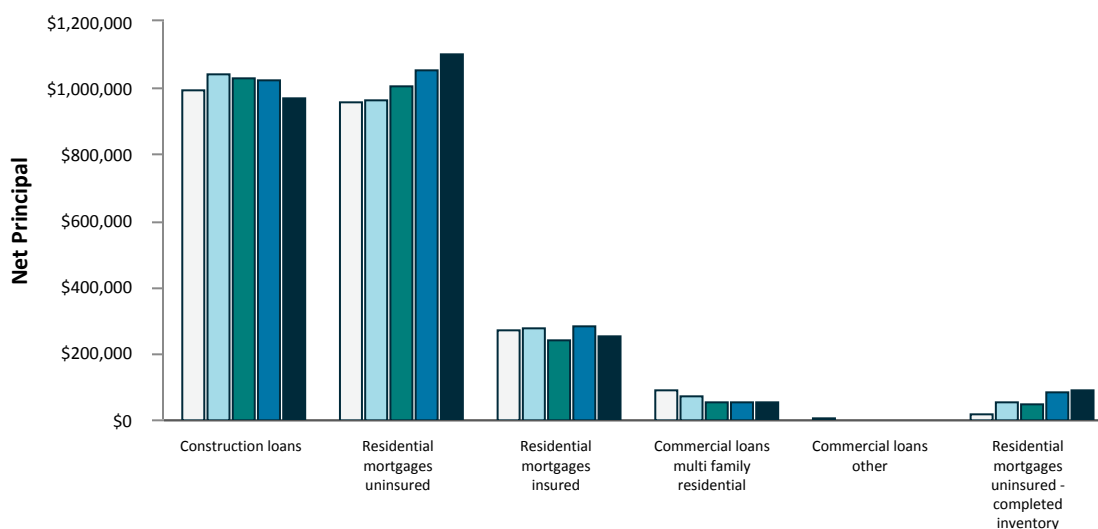
<sup>1</sup> includes originations, including insured residential mortgage commitments originated and sold to MCAP, renewals and transfers in from our securitization portfolio.

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. We have also enhanced our internal sales and marketing capabilities, strengthened relationships and customer service with the broker community and increased underwriting capacity. We continue to focus on our construction and commercial portfolio growing it in selected markets, with our preferred borrowers and risk profile given they tend to provide higher yields compared to our residential mortgages.

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



Figure 2: 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
Sep 30, 2023	\$997,423 (42%)	\$956,188 (41%)	\$269,271 (12%)	\$90,285 (4%)	\$6,349 (0%)	\$18,201 (1%)
Dec 31, 2023	\$1,045,768 (44%)	\$966,726 (40%)	\$276,685 (11%)	\$70,103 (3%)	\$1,206 (0%)	\$54,367 (2%)
Mar 31, 2024	\$1,034,004 (44%)	\$1,007,946 (42%)	\$239,680 (10%)	\$55,734 (2%)	\$1,196 (0%)	\$46,707 (2%)
Jun 30, 2024	\$1,027,226 (42%)	\$1,053,032 (42%)	\$280,452 (11%)	\$55,696 (2%)	\$0 (0%)	\$83,481 (3%)
Sep 30, 2024	\$968,433 (39%)	\$1,106,088 (45%)	\$250,660 (10%)	\$55,635 (2%)	\$0 (0%)	\$91,203 (4%)

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



**Table 18: Mortgage Portfolio Geographic Distribution**

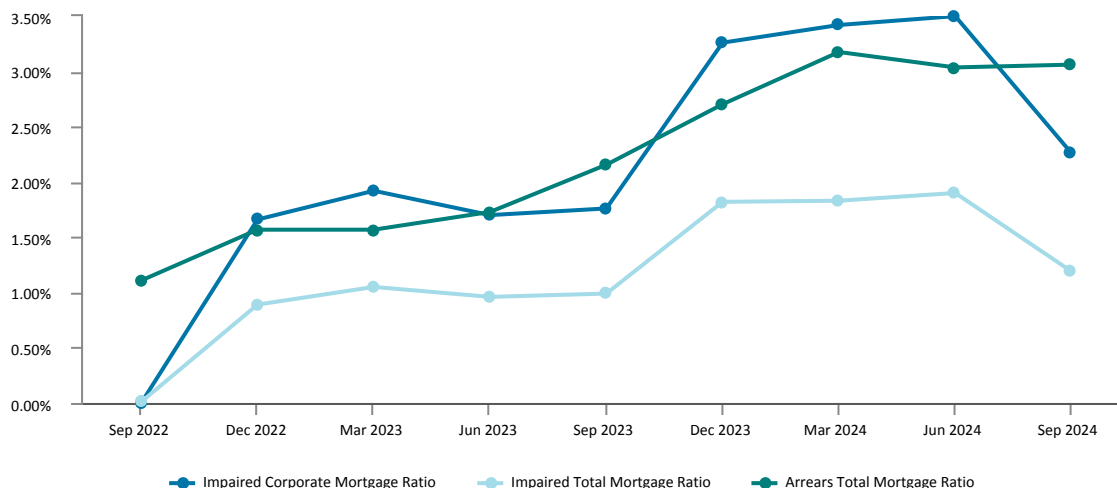
	September 30, 2024		June 30, 2024		December 31, 2023	
	Corporate	Securitized	Corporate	Securitized	Corporate	Securitized
Ontario	64.2 %	83.5 %	62.8 %	84.2 %	60.4 %	85.7 %
British Columbia	27.2 %	3.1 %	27.7 %	3.2 %	30.3 %	3.3 %
Alberta	7.2 %	10.1 %	8.3 %	9.6 %	8.2 %	8.5 %
Atlantic Provinces	0.4 %	2.0 %	0.4 %	1.7 %	0.4 %	1.4 %
Quebec	0.2 %	0.2 %	0.1 %	0.3 %	0.1 %	0.4 %
Other	0.8 %	1.1 %	0.7 %	1.0 %	0.6 %	0.7 %
	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

## Credit Quality

Table 19: Arrears and Impaired Mortgages

(in thousands except %)	September 30 2024	June 30 2024	Change (%)	December 31 2023	Change (%)
<b>Impaired mortgages</b>					
Corporate					
Residential mortgages - insured	\$ 884	\$ 258	243%	\$ 599	48%
Residential mortgages - uninsured	12,710	10,247	24%	5,971	113%
Construction loans	42,295	76,934	(45%)	72,206	(41%)
	55,889	87,439	(36%)	78,776	(29%)
Securitized	738	1,322	(44%)	343	115%
Total impaired mortgages	\$ 56,627	\$ 88,761	(36%)	\$ 79,119	(28%)
Impaired corporate mortgage ratio <sup>1</sup>	2.26 %	3.50 %	(1.24%)	3.26 %	(1.00%)
Impaired total mortgage ratio <sup>1</sup>	1.19 %	1.90 %	(0.71%)	1.82 %	(0.63%)
<b>Mortgage arrears</b>					
Corporate					
Residential mortgages - insured	\$ 2,350	\$ 842	179%	\$ 813	189%
Residential mortgages - uninsured	52,534	52,215	1%	39,770	32%
Residential mortgages - uninsured - completed inventory	2,234	—	n/a	—	n/a
Construction loans	54,859	83,442	(34%)	72,206	(24%)
Commercial loans	27,450	—	n/a	—	n/a
Total corporate mortgage arrears	139,427	136,499	2%	112,789	24%
Total securitized mortgage arrears	6,333	5,278	20%	4,661	36%
Total mortgage arrears	\$ 145,760	\$ 141,777	3%	\$ 117,450	24%
<b>Staging analysis - corporate portfolio</b>					
Stage 2					
Residential mortgages - insured	\$ 10,797	\$ 9,520	13%	\$ 11,572	(7%)
Residential mortgages - uninsured	200,467	205,108	(2%)	184,514	9%
Residential mortgages - uninsured - completed inventory	2,234	2,229	—%	2,221	1%
Construction loans	19,614	15,094	30%	5,967	229%
Commercial loans - multi-family residential	39,728	39,787	—%	39,798	—%
	272,840	271,738	—%	244,072	12%
Stage 3					
Residential mortgages - insured	884	258	243%	599	48%
Residential mortgages - uninsured	12,710	10,247	24%	5,971	113%
Construction loans	42,295	76,934	(45%)	72,206	(41%)
	55,889	87,439	(36%)	78,776	(29%)
Total stage 2 and 3 corporate mortgages	\$ 328,729	\$ 359,177	(8%)	\$ 322,848	2%
<b>Allowance for credit losses</b>					
Corporate					
Allowance on performing mortgages	\$ 6,920	\$ 6,836	1%	\$ 7,953	(13%)
Allowance on impaired mortgages	5,098	3,900	31%	1,972	159%
	12,018	10,736	12%	9,925	21%
Securitized - allowance on performing mortgages	—	—	n/a	—	n/a
Total allowance for credit losses	\$ 12,018	\$ 10,736	12%	\$ 9,925	21%

<sup>1</sup> 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.

Figure 3: Arrears and Impaired Mortgage Ratios<sup>1</sup>

The majority of our 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. While greater than 30 days arrears has increased in our uninsured residential mortgages, we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 63.5% at September 30, 2024 based on an industry index of current real estate values. We have also seen our arrears total mortgage ratio decline since Q1 2024. With respect to our construction and commercial loan portfolio, we have a strong track record with our default management processes and asset recovery programs as the need arises. The impaired ratios, as presented above, reflect impaired (stage 3) mortgages under IFRS 9 as a percentage of the corporate or total mortgage portfolios, as applicable. At September 30, 2024, impaired mortgages are mainly four construction mortgages where we have initiated asset recovery programs. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

In the event of a protracted economic downturn due to the current high interest rate environment, 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. An economic downturn could also result in an increase in our allowance for credit losses. 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.

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

<sup>1</sup> 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 at this time.

**Table 20: Residential Mortgages by Province at September 30, 2024**

(in thousands except %)	Corporate						Securitized		Total	%
	Insured	%	Uninsured	%	HELOCs	%	Insured	%		
Ontario	\$ 181,584	72.5 %	\$1,030,615	86.1 %	\$ 68	84.0 %	\$1,912,152	83.5 %	\$ 3,124,419	83.5 %
Alberta	44,792	17.9 %	48,132	4.0 %	13	16.0 %	230,835	10.1 %	323,772	8.7 %
British Columbia	7,901	3.2 %	105,507	8.8 %	—	— %	70,088	3.1 %	183,496	4.9 %
Quebec	2,844	1.1 %	1,182	0.1 %	—	— %	5,638	0.2 %	9,664	0.3 %
Atlantic Provinces	5,868	2.3 %	3,709	0.3 %	—	— %	45,190	2.0 %	54,767	1.5 %
Other	7,590	3.0 %	8,146	0.7 %	—	— %	25,684	1.1 %	41,420	1.1 %
<b>Total</b>	<b>\$ 250,579</b>	<b>100.0 %</b>	<b>\$1,197,291</b>	<b>100.0 %</b>	<b>\$ 81</b>	<b>100.0 %</b>	<b>\$2,289,587</b>	<b>100.0 %</b>	<b>\$ 3,737,538</b>	<b>100.0 %</b>

**Table 21: Residential Mortgages by Province at December 31, 2023**

(in thousands except %)	Corporate						Securitized		Total	%
	Insured	%	Uninsured	%	HELOCs	%	Insured	%		
Ontario	\$ 202,183	73.0 %	\$ 888,284	87.1 %	\$ 59	79.7 %	\$1,655,249	85.7 %	\$ 2,745,775	85.1 %
Alberta	52,071	18.9 %	27,844	2.7 %	15	20.3 %	164,398	8.5 %	244,328	7.6 %
British Columbia	8,516	3.1 %	96,305	9.4 %	—	— %	62,971	3.3 %	167,792	5.2 %
Quebec	2,090	0.8 %	1,221	0.1 %	—	— %	7,298	0.4 %	10,609	0.3 %
Atlantic Provinces	6,405	2.3 %	2,307	0.2 %	—	— %	26,521	1.4 %	35,233	1.1 %
Other	5,346	1.9 %	5,132	0.5 %	—	— %	13,511	0.7 %	23,989	0.7 %
<b>Total</b>	<b>\$ 276,611</b>	<b>100.0 %</b>	<b>\$1,021,093</b>	<b>100.0 %</b>	<b>\$ 74</b>	<b>100.0 %</b>	<b>\$1,929,948</b>	<b>100.0 %</b>	<b>\$ 3,227,726</b>	<b>100.0 %</b>

**Table 22: Residential Mortgages by Amortization Period at September 30, 2024**

(in thousands except %)	Up to 20	>20 to 25	>25 to 30	>30 to 35	Total
	Years	Years	Years	Years	
Corporate	\$ 231,036 16.0 %	\$ 260,077 18.0 %	\$ 500,045 34.5 %	\$ 456,793 31.5 %	\$ 1,447,951 100.0 %
Securitized	\$ 724,448 31.6 %	\$ 1,563,863 68.3 %	\$ 1,276 0.1 %	\$ — — %	\$ 2,289,587 100.0 %
<b>Total</b>	<b>\$ 955,484 25.6 %</b>	<b>\$ 1,823,940 48.8 %</b>	<b>\$ 501,321 13.4 %</b>	<b>\$ 456,793 12.2 %</b>	<b>\$ 3,737,538 100.0 %</b>

**Table 23: Residential Mortgages by Amortization Period at December 31, 2023**

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 to 35 Years	Total
Corporate	\$ 182,403 14.1 %	\$ 292,137 22.4 %	\$ 450,377 34.7 %	\$ 372,861 28.8 %	\$ 1,297,778 100.0 %
Securitized	\$ 585,539 30.3 %	\$ 1,343,070 69.6 %	\$ 1,339 0.1 %	\$ — — %	\$ 1,929,948 100.0 %
<b>Total</b>	<b>\$ 767,942 23.8 %</b>	<b>\$ 1,635,207 50.6 %</b>	<b>\$ 451,716 14.0 %</b>	<b>\$ 372,861 11.6 %</b>	<b>\$ 3,227,726 100.0 %</b>

**Table 24: Average LTV Ratio for Uninsured Residential Mortgage Originations**

(in thousands except %)	Q3 Average		Q3 Average		YTD Average		YTD Average	
For the Periods Ended	2024	LTV	2023	LTV	2024	LTV	2023	LTV
Ontario	\$124,663	68.2%	\$110,359	67.1%	\$299,644	68.9%	\$271,915	68.6%
Alberta	3,030	75.4%	916	74.7%	27,332	67.2%	7,050	70.8%
British Columbia	7,710	67.5%	5,648	68.8%	64,057	65.7%	24,313	68.2%
Other	2,286	77.1%	—	—%	5,968	73.8%	150	22.2%
	<b>\$137,689</b>	<b>68.4%</b>	<b>\$116,923</b>	<b>67.2%</b>	<b>\$397,001</b>	<b>68.3%</b>	<b>\$303,428</b>	<b>68.6%</b>

**Table 25: Average LTV Ratios at Origination by Mortgage Portfolio**

	September 30 2024	December 31 2023
<b>Corporate portfolio</b>		
Residential mortgages		
Insured	70.8 %	69.6 %
Uninsured <sup>1</sup>	66.7 %	66.0 %
Uninsured - completed inventory	64.6 %	63.4 %
Construction loans		
Residential	62.8 %	63.7 %
Commercial loans		
Multi family residential	75.9 %	75.9 %
Other commercial	— %	63.0 %
	65.7 %	65.7 %
<b>Securitized portfolio</b>	80.0 %	79.9 %
	<b>72.6 %</b>	<b>72.0 %</b>

<sup>1</sup> MCAN's corporate uninsured residential mortgage portfolio (including completed inventory loans) is secured with a weighted average LTV at origination of 68.2% at September 30, 2024 (December 31, 2023 - 65.9%). Based on an industry index that incorporates current real estate values, the ratios would be 63.5% at September 30, 2024 (December 31, 2023 - 63.4%).

## Other Corporate Assets

### Cash and Cash Equivalents

At September 30, 2024, our cash balance was \$87 million (June 30, 2024 - \$60 million; December 31, 2023 - \$60 million). As part of liquidity management, we align our liquidity position to our liquidity and funding requirements. 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. See "Liquidity and Funding Risk" sub-section of this MD&A.

## Marketable Securities

Marketable securities, consisting of REITs, provide additional liquidity at yields in excess of cash and cash equivalents. We actively manage our portfolio, as appropriate. At September 30, 2024, the portfolio balance was \$59 million (June 30, 2024 - \$50 million; December 31, 2023 - \$50 million). Year to date 2024, we had net unrealized fair value gains due to a declining interest rate environment. We expect some additional recovery in the REIT market given a declining interest rate environment. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments.

## Non-Marketable Securities

At September 30, 2024, our non-marketable securities balance was \$114 million (June 30, 2024 - \$116 million; December 31, 2023 - \$110 million). The movement to our security balance from prior periods mainly relates to funding of capital advances and a \$3.6 million net unrealized loss mainly related to updated property valuations partially offset by increased density approval on one underlying property. Our non-marketable securities are either held for long-term capital appreciation or distribution income and they tend to improve the diversification, and risk and reward characteristics of our overall investment portfolio. Our real estate development funds tend to have less predictable cash flows that are predicated on the completion of the development projects within these funds. We have \$69 million in remaining capital advances for non-marketable securities expected to fund mainly over the next five years. Some of the real estate funds that we are invested in, have been slower to deploy committed capital than initially expected as finding the right opportunities in the current market environment takes more time. Our non-marketable securities consist of the following:

**KSHYF:** We invest in the KSHYF representing a 5.9% equity interest at September 30, 2024 (June 30, 2024 - 5.9%; December 31, 2023 - 5.9%). At September 30, 2024, the carrying value of our investment was \$56 million (June 30, 2024 - \$55 million; December 31, 2023 - \$55 million). The KSHYF invests in mortgages secured by real estate including mezzanine, subordinate and bridge mortgages. At September 30, 2024, our total remaining commitment to the KSHYF was \$31 million, consisting of \$3 million of capital advances for the KSHYF and \$29 million to support credit facilities throughout the life of the KSHYF.

**KSSMF:** We invest in KSSMF representing a 2.1% partnership interest at September 30, 2024 (June 30, 2024 - 2.1%; December 31, 2023 - 2.1%). At September 30, 2024, the carrying value of our investment was \$17 million (June 30, 2024 - \$17 million; December 31, 2023 - \$16 million) with an additional \$8 million remaining commitment. KSSMF invests in a diversified portfolio of mortgage loans secured by Canadian residential and commercial real estate.

**TAS LP 3 ("TAS 3"):** We invest in TAS 3 representing a 9.7% partnership interest at September 30, 2024 (June 30, 2024 - 9.7%; December 31, 2023 - 9.7%). At September 30, 2024, the carrying value of our investment was \$5 million (June 30, 2024 - \$8 million; December 31, 2023 - \$8 million). At September 30, 2024, the Company has a \$3 million revolving promissory note commitment that matures on June 30, 2025 with \$nil remaining available to be drawn. TAS 3 invests in, and develops, residential and mixed use properties with a focus on assets that drive environmental and social impacts.

**TAS LP 3 Co-Invest LP ("TAS Co"):** We invest in TAS Co representing a 34.8% partnership interest at September 30, 2024 (June 30, 2024 - 34.8%; December 31, 2023 - 34.8%). At September 30, 2024, the carrying value of our investment was \$3 million (June 30, 2024 - \$4 million; December 31, 2023 - \$4 million) with an additional \$1 million remaining commitment. TAS Co has an approximately 17.5% to 24% interest in some of the same properties invested in by TAS 3 as noted above.

**Pearl Group Growth Fund LP ("Pearl"):** We invest in Pearl representing a 6.9% partnership interest at September 30, 2024 (June 30, 2024 - 6.9%; December 31, 2023 - 6.9%). At September 30, 2024, the carrying value of our investment was \$2 million (June 30, 2024 - \$2 million; December 31, 2023 - \$2 million) with an additional \$1 million remaining commitment. Pearl executes a value-add strategy by acquiring, redeveloping, entitling, leasing and project managing commercial and multi-unit residential properties in the Greater Toronto area.

**Crown Realty V Limited Partnership ("Crown"):** We invest in Crown representing a 7.7% partnership interest at September 30, 2024 (June 30, 2024 - 7.7%; December 31, 2023 - 7.7%). At September 30, 2024, the carrying value of our investment was \$9 million (June 30, 2024 - \$9 million; December 31, 2023 - \$8 million) with an additional \$9 million remaining commitment. Crown integrates environmental and social focused initiatives to acquire, lease, manage and reposition commercial real estate properties across Ontario.

**Harbour Equity JV Development Fund VI ("Harbour"):** We invest in Harbour representing a 12.1% partnership interest at September 30, 2024 (June 30, 2024 - 12.1%; December 31, 2023 - 12.1%). At September 30, 2024, the carrying value of our investment was \$4 million (June 30, 2024 - \$4 million; December 31, 2023 - \$3 million) with an additional \$6 million remaining commitment. Harbour provides equity capital to real estate developers in joint ventures or co-ownership structures for ground up development of residential and mixed-use properties across Canada.

**TAS Impact Development LP 4 ("TAS 4"):** We invest in TAS 4 representing a 16.2% partnership interest at September 30, 2024 (June 30, 2024 - 14.8%; December 31, 2023 - 14.8%). At September 30, 2024, the carrying value of our investment was \$2 million (June 30, 2024 - \$2 million; December 31, 2023 - \$2 million) with an additional \$18 million remaining commitment. TAS 4



acquires urban residential, mixed-use development and repositioning properties with a focus on developing and repositioning assets that drive environmental and social impacts.

Broccolini Limited Partnership No. 8 (“Broccolini”): We invest in Broccolini representing a 5.7% partnership interest at September 30, 2024 (June 30, 2024 - 5.7%; December 31, 2023 - 5.7%). At September 30, 2024, the carrying value of our investment was \$5 million (June 30, 2024 - \$5 million; December 31, 2023 - \$5 million) with an additional \$18 million remaining commitment. Broccolini manages real estate development funds primarily focused on ground up development of industrial, residential and mixed-use properties across Canada, with a focus on Ontario and Quebec.

Fiera Real Estate Development Fund IV, LP (“Fiera”): We invest in Fiera representing a 6.5% partnership interest at September 30, 2024 (June 30, 2024 - 6.5%; December 31, 2023 - 6.5%). At September 30, 2024, the carrying value of our investment was \$10 million (June 30, 2024 - \$9 million; December 31, 2023 - \$6 million) with an additional \$6 million remaining commitment. Fiera focuses on development and re-development of multi-residential, industrial, office and retail properties, located in growing major Canadian urban markets.

#### **Equity Investment in MCAP**

We have a strategic investment in MCAP, which is Canada’s largest independent mortgage finance company serving many institutional investors and over 400,000 homeowners. We hold a 13.88% equity interest in MCAP (June 30, 2024 - 13.72%; December 31, 2023 - 13.73%), which represents 4.0 million units held by MCAN at September 30, 2024 (June 30, 2024 - 4.0 million; December 31, 2023 - 4.0 million) of the 28.8 million total outstanding MCAP partnership units (June 30, 2024 - 29.2 million; December 31, 2023 - 29.1 million). The investment had a net book value of \$120 million at September 30, 2024 (June 30, 2024 - \$118 million; December 31, 2023 - \$111 million). The net book value is not indicative of the fair market value of our equity interest in MCAP.

During Q3 2024, we received \$5.4 million of unitholder distributions from MCAP (Q2 2024 - \$5.1 million; Q3 2023 - \$3.9 million). For year to date 2024, we have received \$13.9 million of unitholder distributions from MCAP (year to date 2023 - \$14.6 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. Any sale by MCAN of its units in MCAP pursuant to this majority partner right, could result in a taxable gain, which could be material.

#### **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 26: Liabilities and Shareholders' Equity**

(in thousands except %)	September 30 2024	June 30 2024	Change (%)	December 31 2023	Change (%)
<b>Corporate Liabilities</b>					
Term deposits	\$ 2,308,045	\$ 2,314,946	—%	\$ 2,200,102	5%
Loans payable	69	15,485	(100%)	64,683	(100%)
Derivative financial instruments	—	109	(100%)	—	n/a
Current taxes payable	370	7	5,186%	—	n/a
Deferred tax liabilities	—	68	(100%)	—	n/a
Other liabilities	18,939	10,427	82%	25,575	(26%)
	<b>2,327,423</b>	<b>2,341,042</b>	<b>(1%)</b>	<b>2,290,360</b>	<b>2%</b>
<b>Securitization Liabilities</b>					
Financial liabilities from securitization	2,284,021	2,170,634	5%	1,916,883	19%
	<b>2,284,021</b>	<b>2,170,634</b>	<b>5%</b>	<b>1,916,883</b>	<b>19%</b>
	<b>4,611,444</b>	<b>4,511,676</b>	<b>2%</b>	<b>4,207,243</b>	<b>10%</b>
<b>Shareholders' Equity</b>					
Share capital	452,099	446,841	1%	406,528	11%
Contributed surplus	510	510	—%	510	—%
Retained earnings	150,972	138,986	9%	124,708	21%
Accumulated other comprehensive income	(1,741)	(1,126)	55%	98	(1,877%)
	<b>601,840</b>	<b>585,211</b>	<b>3%</b>	<b>531,844</b>	<b>13%</b>
	<b>\$ 5,213,284</b>	<b>\$ 5,096,887</b>	<b>2%</b>	<b>\$ 4,739,087</b>	<b>10%</b>

### 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, as well as a direct-to-consumer channel through our MCAN Wealth GIC platform. 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

We have a secured demand revolver facility from a Canadian Schedule I Chartered bank with a facility limit of \$220 million. The facility is 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.

We also have a \$100 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.

### Derivatives Financial Instruments

At September 30, 2024, the Company had \$2.5 million of unrealized gains on derivative assets outstanding relating to term deposit fair value hedges (June 30, 2024 - \$0.1 million derivative liabilities; December 31, 2023 - \$0.2 million derivative assets). Refer to the "Derivatives and Hedging" sub-section of this MD&A and Note 11 to the interim consolidated financial statements.

### 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 13 to the interim consolidated financial statements.

**Retained Earnings**

Retained earnings activity for Q3 2024 consists of net income of \$26.9 million (Q2 2024 - \$19.7 million; Q3 2023 - \$18.5 million) less dividends of \$14.9 million (Q2 2024 - \$14.8 million; Q3 2023 - \$13.3 million). Retained earnings activity for year to date 2024 consists of a net income of \$69.9 million (year to date 2023 - \$57.6 million) less dividends of \$43.6 million (year to date 2023 - \$38.3 million).

**Accumulated Other Comprehensive Income**

We may enter into Government of Canada bond forward contracts to hedge interest rate risk arising from the impact of (i) movements in interest rates between the time insured residential mortgages are funded and the time that these mortgages are securitized; and (ii) movements in interest rates between the time term deposit funding is forecasted to be required and the time that the actual funding occurs. Achieving hedge accounting allows us to reduce our net income volatility related to changes in interest rates. In Q3 2024, we had net fair value losses of \$0.7 million (Q2 2024 - \$1.3 million fair value losses; Q3 2023 - \$0.6 million fair value gains), and year to date 2024, we had net fair value losses of \$1.9 million (year to date 2023 - \$2.5 million fair value gains) on our derivative transactions recognized in accumulated other comprehensive income. For further information, refer to the “Derivatives and Hedging” sub-section of this MD&A and Note 11 to the interim consolidated financial statements.

**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 27: Income Tax Capital**

(in thousands except ratios)

	September 30 2024	December 31 2023
<b>Income tax assets</b>		
Consolidated assets	\$ 5,213,284	\$ 4,739,087
Adjustment for assets in subsidiaries	38,684	(27,520)
Non-consolidated assets in MIC entity	5,251,968	4,711,567
Add: corporate mortgage allowances	7,429	8,149
Less: securitization assets <sup>1</sup>	(2,314,166)	(1,953,086)
Adjustments to equity investments in MCAP and subsidiaries	(80,086)	(59,274)
Other adjustments	(11,555)	5,501
	\$ 2,853,590	\$ 2,712,857
<b>Income tax liabilities</b>		
Consolidated liabilities	\$ 4,611,444	\$ 4,207,243
Adjustment for liabilities in subsidiaries	(8,378)	(71,761)
Non-consolidated liabilities in MIC entity	4,603,066	4,135,482
Less: securitization liabilities <sup>1</sup>	(2,280,190)	(1,913,719)
	\$ 2,322,876	\$ 2,221,763
<b>Income tax capital</b>	\$ 530,714	\$ 491,094
<b>Income tax capital ratios</b>		
Income tax assets to capital ratio	5.38	5.52
Income tax liabilities to capital ratio	4.38	4.52

<sup>1</sup> 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. Total Capital equals CET 1 or Tier 1 capital plus Tier 2 capital. OSFI expects all federally regulated financial institutions to meet the minimum capital to risk-weighted asset ratios of 7% CET 1 Capital, 8.5% Tier 1 Capital and 10.5% Total Capital.

At September 30, 2024, we were in compliance with our internal target minimum CET 1, Tier 1 and Total Capital to risk weighted asset and leverage ratios. Our total capital and leverage ratios have decreased due to OSFI’s new revised rules that incorporate Basel III reforms. We maintain prudent capital planning practices to ensure that we are adequately capitalized and continue to satisfy minimum standards and internal targets.

**Table 28: Regulatory Capital**<sup>3</sup>

(in thousands except %)

	September 30 2024	December 31 2023
<b>OSFI Regulatory Ratios</b>		
Share capital	\$ 452,099	\$ 406,528
Contributed surplus	510	510
Retained earnings	150,972	124,708
Accumulated other comprehensive income	(1,741)	98
Deduction from equity investment in MCAP <sup>1</sup>	(59,521)	(58,183)
<b>Common Equity Tier 1 and Tier 1 Capital (A)</b>	<b>542,319</b>	<b>473,661</b>
Tier 2 Capital	6,920	7,953
<b>Total Capital (D)</b>	<b>\$ 549,239</b>	<b>\$ 481,614</b>
<b>Total Exposure/Regulatory Assets</b>		
Consolidated assets	\$ 5,213,284	\$ 4,739,087
Less: deduction for equity investment in MCAP <sup>1</sup>	(59,521)	(58,183)
Other adjustments <sup>2</sup>	3,037	1,900
<b>Total On-Balance Sheet Exposures</b>	<b>5,156,800</b>	<b>4,682,804</b>
Mortgages and non-marketable securities funding commitments	249,109	286,655
Letters of credit	20,328	24,318
<b>Total Off-Balance Sheet Items</b>	<b>269,437</b>	<b>310,973</b>
<b>Total Exposure/Regulatory Assets (B)</b>	<b>\$ 5,426,237</b>	<b>\$ 4,993,777</b>
<b>Leverage ratio (A / B)</b>	9.99 %	9.49 %
<b>Risk-weighted assets (C)</b>	<b>\$ 2,720,172</b>	<b>\$ 2,689,764</b>
<b>Regulatory Capital Ratios</b>		
Common Equity Tier 1 capital to risk-weighted assets ratio (A / C)	19.94 %	17.61 %
Tier 1 capital to risk-weighted assets ratio (A / C)	19.94 %	17.61 %
Total capital to risk-weighted assets ratio (D / C)	20.19 %	17.91 %

<sup>1</sup> 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.<sup>2</sup> Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.<sup>3</sup> These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements and Leverage Requirements guidelines.

**Table 29: Regulatory Risk-Weighted Assets <sup>1</sup>**

(in thousands except %)	September 30, 2024			December 31, 2023		
	Amounts	Average Rate	Risk-Weighted Assets	Amounts	Average Rate	Risk-Weighted Assets
<b>On-Balance Sheet Assets</b>						
Cash and cash equivalents	\$ 86,706	21 %	\$ 17,949	\$ 60,345	21 %	\$ 12,449
Cash held in trust	24,868	20 %	4,974	30,909	20 %	6,182
Marketable securities	59,081	100 %	59,081	50,320	100 %	50,320
Mortgages - corporate	2,472,019	65 %	1,602,931	2,414,855	67 %	1,626,403
Mortgages - securitized	2,289,587	6 %	128,509	1,929,948	5 %	104,989
Non-marketable securities	113,848	176 %	200,038	109,943	172 %	188,885
Equity investment in MCAP Commercial LP	119,705	126 %	150,460	111,367	119 %	132,961
Deferred tax asset	478	100 %	478	336	100 %	336
Other assets	44,492	100 %	44,492	30,866	100 %	30,867
Derivative Financial Instruments	2,500	— %	—	198	— %	—
	<u>5,213,284</u>		<u>2,208,912</u>	<u>4,739,087</u>		<u>2,153,392</u>
<b>Off-Balance Sheet Items</b>						
Letters of credit	40,657	50 %	20,329	48,637	50 %	24,319
Commitments	622,772	41 %	255,121	716,638	43 %	306,764
Derivative Financial Instruments	692,235	2 %	13,347	314,197	— %	276
			<u>288,797</u>			<u>331,359</u>
Charge for operational risk <sup>2</sup>			<u>222,463</u>			<u>205,013</u>
<b>Risk-Weighted Assets</b>			<b>\$ 2,720,172</b>			<b>\$ 2,689,764</b>

<sup>1</sup> This measure has been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines.

<sup>2</sup> 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 2023 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 2023 Annual MD&A.

Economic uncertainty risks remain persistent with ongoing inflationary pressures, foreign bank hardships or failures, higher debt servicing costs, volatility in interest rate sensitive products and geopolitical conflicts. Though the nature and extent of these risks may vary depending on circumstances, these factors continue to impact the demand and affordability of mortgages and the financial health of the Canadian economy and borrowers. An inability to respond and manage these risks effectively may have an adverse effect on our future results and operations.

### Liquidity and Funding Risk

Liquidity risk is the risk that cash and liquid assets are insufficient to honour all cash outflow commitments (both on- and off-balance sheet) as they come due. Funding risk is the risk that available sources of liquidity and long term funding are insufficient to sustain business growth or mitigate funding gaps.

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, are sufficient to meet our commitments, deposit maturity obligations, and other financial obligations.

On a monthly basis, we plan out our funding using a 12-month rolling forecast of expected business growth and balance sheet obligations. This provides us with a forward-looking perspective on the adequacy of our funding and liquidity channels.

Stress testing is performed using multiple scenarios incorporating simultaneous impacts to the Company's funding sources and uses. MCAN's stress testing is designed to assess the viability of liquidity and funding channels, as well as contingency funding to remain within Board-approved liquidity risk limits. At September 30, 2024, the Company held sufficient funding and liquidity to meet all requirements under the stress test scenarios.

The Board is accountable for the approval of the Liquidity Risk Management Framework ("LRMF"). The LRMF establishes a framework to maintain sufficient funding and 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 funding and liquidity risk profile, including funding strategies, performance against established liquidity risk limits, stress testing and contingency funding plan status. Results of the monitoring of liquidity risk are reported to the Board and any exceptions or breach of key limits are immediately reported by ALCO to the Enterprise Risk Management and Compliance Committee ("ERM&CC"). At September 30, 2024, the Company was in full compliance with the LRMF, key liquidity risk limits and regulatory requirements.

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 secured demand revolver facility to meet its short-term obligations as required. Under the facility, there is a sublimit for issued letters of credit, which may be used to support the obligations of borrowers to municipalities in conjunction with construction loans. The facility limit is \$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 30: Liquidity Analysis**

At September 30, 2024						
(in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
<b>Sources of liquidity</b>						
Cash and cash equivalents	\$ 86,706	\$ —	\$ —	\$ —	\$ —	\$ 86,706
Marketable securities	59,081	—	—	—	—	59,081
Mortgages - corporate	645,269	998,312	712,005	100,113	16,320	2,472,019
Non-marketable securities	—	—	—	—	113,848	113,848
Other loans	2,376	—	—	—	—	2,376
	793,432	998,312	712,005	100,113	130,168	2,734,030
<b>Uses of liquidity</b>						
Term deposits	307,613	787,593	798,699	414,140	—	2,308,045
Loans payable	69	—	—	—	—	69
Other liabilities	10,691	50	552	958	6,688	18,939
	318,373	787,643	799,251	415,098	6,688	2,327,053
<b>Net liquidity surplus (deficit)</b>	<b>\$ 475,059</b>	<b>\$ 210,669</b>	<b>\$ (87,246)</b>	<b>\$ (314,985)</b>	<b>\$ 123,480</b>	<b>\$ 406,977</b>

*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 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 LTV ratios and project liquidity, at September 30, 2024, 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.

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 interest rate risk limits and articulates appetite for interest rate exposures.

An immediate and sustained parallel 1% increase to market interest rates on interest-bearing financial instruments at September 30, 2024 would have an estimated positive effect of \$2.4 million (June 30, 2024 - positive effect of \$2.7 million; December 31, 2023 - positive effect of \$5.0 million) to net income over the following twelve month period. An immediate and sustained parallel 1% decrease to market interest rates at September 30, 2024 would have an estimated adverse effect of \$1.4 million (June 30, 2024 - adverse effect of \$0.6 million; December 31, 2023 - adverse effect of \$3.8 million) to net income over the following twelve month period.

The following tables present the assets and liabilities of the Company by interest rate sensitivity at September 30, 2024 and December 31, 2023 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 31: Interest Rate Sensitivity at September 30, 2024**

At September 30, 2024								
(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
<b>Assets</b>								
Corporate	\$1,238,689	\$160,516	\$556,401	\$532,323	\$ 60,594	\$ 15,702	\$ 315,769	\$ 2,879,994
Securitization	162,273	47,604	293,999	1,175,618	610,092	—	43,704	2,333,290
	<u>1,400,962</u>	<u>208,120</u>	<u>850,400</u>	<u>1,707,941</u>	<u>670,686</u>	<u>15,702</u>	<u>359,473</u>	<u>5,213,284</u>
<b>Liabilities</b>								
Corporate	69	307,613	787,593	798,699	414,140	—	19,309	2,327,423
Securitization	160,963	37,757	249,840	1,330,408	505,053	—	—	2,284,021
	<u>161,032</u>	<u>345,370</u>	<u>1,037,433</u>	<u>2,129,107</u>	<u>919,193</u>	<u>—</u>	<u>19,309</u>	<u>4,611,444</u>
Shareholders' Equity	—	—	—	—	—	—	601,840	601,840
<b>GAP</b>	<b>\$1,239,930</b>	<b>\$(137,250)</b>	<b>\$(187,033)</b>	<b>\$(421,166)</b>	<b>\$(248,507)</b>	<b>\$ 15,702</b>	<b>\$ (261,676)</b>	<b>\$ —</b>
<b>YIELD SPREAD</b>	<b>4.08 %</b>	<b>1.28 %</b>	<b>1.34 %</b>	<b>0.68 %</b>	<b>0.39 %</b>	<b>4.54 %</b>		

**Table 32: Interest Rate Sensitivity at December 31, 2023**

At December 31, 2023								
(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
<b>Assets</b>								
Corporate	\$1,265,585	\$162,442	\$433,336	\$504,327	\$101,094	\$ 8,614	\$ 280,931	\$ 2,756,329
Securitization	126,874	16,427	145,074	1,262,090	379,482	—	52,811	1,982,758
	<u>1,392,459</u>	<u>178,869</u>	<u>578,410</u>	<u>1,766,417</u>	<u>480,576</u>	<u>8,614</u>	<u>333,742</u>	<u>4,739,087</u>
<b>Liabilities</b>								
Corporate	64,682	282,827	803,952	790,157	323,237	—	25,505	2,290,360
Securitization	126,103	7,420	137,127	1,199,547	446,686	—	—	1,916,883
	<u>190,785</u>	<u>290,247</u>	<u>941,079</u>	<u>1,989,704</u>	<u>769,923</u>	<u>—</u>	<u>25,505</u>	<u>4,207,243</u>
Shareholders' Equity	—	—	—	—	—	—	531,844	531,844
<b>GAP</b>	<b>\$1,201,674</b>	<b>\$(111,378)</b>	<b>\$(362,669)</b>	<b>\$(223,287)</b>	<b>\$(289,347)</b>	<b>\$ 8,614</b>	<b>\$ (223,607)</b>	<b>\$ —</b>
<b>YIELD SPREAD</b>	<b>4.36 %</b>	<b>2.07 %</b>	<b>1.56 %</b>	<b>0.74 %</b>	<b>(0.03)%</b>	<b>5.39 %</b>		

**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. These common shares are the only voting securities of MCAN. At September 30, 2024, there were 38,462,802 common shares outstanding (June 30, 2024 - 38,152,773; December 31, 2023 - 35,431,938). At November 11, 2024, there were 38,462,802 common shares outstanding.

We issued \$2.2 million in new common shares in Q3 2024 (Q3 2023 - \$4.0 million) and \$14.8 million year to date 2024 (\$14.5 million - year to date 2023) under the DRIP, which has historically provided MCAN with a reliable source of new capital and existing shareholders an opportunity to acquire additional shares at a discount to market value. Under the DRIP, dividends paid to shareholders are automatically reinvested in common shares issued out of treasury at the weighted average trading price for the five days preceding such issue less a discount of 2% until further notice from MCAN. The DRIP participation rate for the 2024 third quarter dividend was 15% (2024 second quarter - 30%; 2023 third quarter - 30%).

We have a Base Shelf prospectus allowing us to make certain public offerings of debt or equity securities during the period that it is effective, through Prospectus Supplements.

- On March 28, 2024, we closed an overnight marketed offering, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, at a price of \$15.40 per common share for gross proceeds of \$28.8 million and net proceeds of \$27.2 million including share issuance costs.
- We have an ATM Program, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, allowing us to issue up to \$30 million common shares to the public from time to time at the market prices prevailing at the time of sale. In Q3 2024, we sold 182,600 common shares at a weighted average price of \$17.75 for gross proceeds of \$3.2 million and net proceeds of \$3.0 million including \$65 thousand of agent commission paid and \$155 thousand of other share issuance costs under the ATM Program. At September 30, 2024, we have \$25.1 million remaining available to be issued through our ATM Program. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion.

For additional information related to share capital, refer to Note 13 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 33: Contractual Commitments**

At September 30, 2024						
(in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Mortgage funding commitments	\$ 339,981	\$ 155,451	\$ 29,799	\$ —	\$ —	\$ 525,231
Commitment - TAS Co	—	326	750	—	—	1,076
Commitment - TAS 4	4,923	3,254	5,497	3,926	—	17,600
Commitment - Harbour	1,000	1,500	2,500	1,000	—	6,000
Commitment - KSSMF	500	3,900	3,900	—	—	8,300
Commitment - Pearl	—	583	—	—	—	583
Commitment - Crown	602	5,784	3,007	—	—	9,393
Commitment - Fiera	649	1,623	1,315	491	1,500	5,578
Commitment - Broccolini	1,000	5,000	8,600	3,000	—	17,600
Commitment - KSHYF	1,335	1,232	—	—	28,844	31,411
	<b>\$ 349,990</b>	<b>\$ 178,653</b>	<b>\$ 55,368</b>	<b>\$ 8,417</b>	<b>\$ 30,344</b>	<b>\$ 622,772</b>

We retain mortgage servicing obligations relating to securitized insured multi family mortgages where balance sheet derecognition has been achieved. At September 30, 2024, these derecognized securitized insured multi family mortgages totalled \$216 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 19 to the interim consolidated financial statements.

## DIVIDENDS

On November 11, 2024, the Board declared a regular quarterly cash dividend of \$0.39 per share to be paid on January 2, 2025 to shareholders of record as at December 13, 2024.

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 September 30, 2024 and September 30, 2023 and related party balances at September 30, 2024 and December 31, 2023 are discussed in Notes 8 and 18 to the interim consolidated financial statements.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

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

## PEOPLE

At September 30, 2024, we had 155 team members (June 30, 2024 - 163; December 31, 2023 - 142). Team members include full-time, part-time, contract and students, as applicable.

## 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 2023 Annual MD&A.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At September 30, 2024, the 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.

There were no changes in our ICFR during the interim period ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our control framework. On January 1, 2024, we implemented a new enterprise resource planning ("ERP") system. This ERP implementation did not result in any significant changes in internal controls. We had

appropriate testing on the new ERP system to ensure a proper transition as well as appropriate procedures to ensure internal controls over financial reporting were in place during and after the implementation.

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. Calculations can also be found in Tables 1, 2, and 4 of this MD&A.

**Table 34: Net Corporate Mortgage Spread Income**

(in thousands) For the Periods Ended September 30	Q3 2024	Q3 2023	Change (\$)	YTD 2024	YTD 2023	Change (\$)
Mortgage interest - corporate assets	\$ 48,067	\$ 44,144		\$ 144,497	\$ 118,591	
Term deposit interest and expenses	28,021	21,083		81,617	53,858	
<b>Net Corporate Mortgage Spread Income</b>	<b>\$ 20,046</b>	<b>\$ 23,061</b>	<b>\$ (3,015)</b>	<b>\$ 62,880</b>	<b>\$ 64,733</b>	<b>\$ (1,853)</b>

#### *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. Calculations can also be found in Table 7 of this MD&A.

**Table 35: Net Securitized Mortgage Spread Income**

(in thousands) For the Periods Ended September 30	Q3 2024	Q3 2023	Change (\$)	YTD 2024	YTD 2023	Change (\$)
Mortgage interest - securitized assets	\$ 16,593	\$ 9,616		\$ 44,628	\$ 28,026	
Interest on financial liabilities from securitization	14,064	8,147		37,744	23,172	
<b>Net Securitized Mortgage Spread Income</b>	<b>\$ 2,529</b>	<b>\$ 1,469</b>	<b>\$ 1,060</b>	<b>\$ 6,884</b>	<b>\$ 4,854</b>	<b>\$ 2,030</b>

### 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

*CET 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.



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