MCAN Financial

Q3 2024 REPORT

Investing in Communities and Homes for Canadians

MCANFINANCIAL.COM
TSX: MKP

INVESTING IN COMMUNITIES AND HOMES FOR CANADIANS

With people-first financing and investing solutions that help Canadians achieve homeownership and build wealth through real estate, we are reframing our investment in community and home.

Our foundational experience and knowledge of Canadian real estate means we build mortgage solutions that reflect the needs of real Canadians, solutions inspired by real life, and we deliver access to unique financing and investment opportunities through exclusive partnerships and initiatives built for impact. Our offerings include:

- homeownership through mortgages.
- residential construction and commercial lending.
- a portfolio of REIT investments expertly managed for long-term investment income and capital appreciation.
- private investment funds that are focused on lending and developing in our communities.
- our ownership interest in MCAP, privately owned and Canada's largest mortgage financing company.

The MCAN Drive

To be the preferred mortgage lender and investor within our chosen real estate markets in Canada.

To deliver sustainable growth and value for our stakeholders through:

- relationship-driven mortgage lending and investing.
- quality work from an expert engaged, and committed team.
- dedication to excellence in service of our clients, our colleagues, and our community.

Diversity and inclusion powering our ONE team mindset.

Risk managers are in all of us.

Innovate, lean in to optimize and grow our business together.

Valuing a respectful, collaborative and relationship-focused team.

Empowered to act like an owner, think like a customer.



OUR EMBEDDED CULTURE

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MESSAGE TO SHAREHOLDERS

We delivered solid results for the quarter as declining interest rates improved valuations in our REIT portfolio and our investment in MCAP performed well. Our performance across our key metrics underscores our unwavering commitment to driving sustainable growth and creating long-term value for our shareholders. Our business has always been conducted based on our prudent lending and investing principles with low-cost funding. Our team members' contributions to our culture has helped us grow our business and improve all aspects of our operations.

This quarter saw the continuation of a downward trend in interest rates by the Bank of Canada amidst a slowing economy and lower inflation. We expect further interest rate cuts by the Bank of Canada into 2025 amid easing inflation and a slowing economy. In the current market, we will continue with some amount of caution and adjust our core business as changes unfold. In a declining interest rate environment, our business has various levers and qualities that are positive for managing net mortgage interest, including interest rate floors on our floating rate construction portfolio, the duration of our term deposit funding and our interest rate hedging strategies.

We expect to close out the year through execution of our strategic priorities within our portfolio, all while navigating a challenging economic environment. We will continue to make investments in our products and infrastructure with a multi-year strategic focus on our internal operations to deliver enhanced customer service and update our internal systems to drive sustainable and profitable growth in an efficient working environment for our team.

Q3 2024 Review

Our net income is up 46% for the quarter and 21% so far this year compared to the same prior year periods. While we have seen some compression in our spreads, we saw good performance on our REIT portfolio in a declining rate environment and better performance from our MCAP investment. We maintained a solid return on average shareholders' equity[1] of 18.16% for the quarter and 16.29% so far this year compared to our sustained target range of 13 to 15%, and we delivered almost $43.6 million in dividends to our shareholders so far this year. Our overnight marketed offering, at-the-market program, dividend reinvestment program and our core business income have contributed to a 13% increase in our capital base and allowed us to continue to grow our business. Strong participation in our at-the-market program this quarter also shows the continued support shareholders have for our business and strategy.

Our assets grew 2% this quarter and almost 10% year to date to over $5.2 billion fuelled by residential mortgage originations and renewals. We have built a resilient portfolio despite market conditions and other economic factors that could impact our business. Our corporate and securitized mortgage portfolios have grown 10% since the beginning of the year. We have achieved growth in our residential mortgage portfolio, without sacrificing our bottom line. We have seen some decline in our net corporate mortgage spread income in the current quarter compared to the same period in the prior year mainly due to the floating rates on our construction and commercial loans in a declining interest rate environment. We continue to manage our interest rate risk through the duration of our term deposit funding and our interest rate hedging strategies.

Our uninsured residential mortgage portfolio grew by 14% since the beginning of the year to above $1.1 billion mainly due to continued mortgage originations and strong renewals given the current interest rate environment and minimum qualifying rates in place for new loans. We also continued our strategy of focusing on net interest margins and increasing our residential mortgage lending in the Alberta and British Columbia urban markets. Our solid results highlight our abilities and team strength, supported by outstanding service to our brokers, originators and customers. We are seeing stabilization in our arrears and impaired mortgages and we believe that we have a quality loan portfolio with conservative loan to value ratios supporting these loans. We are also seeing favourable securitization spreads on our insured residential mortgages and we have been securitizing rather than selling these loans at the commitment stage which supports our ongoing securitization program.

We are focused on maintaining the pipeline of our residential construction lending portfolio in selected markets, with our preferred borrowers and risk profile, as they provide comparatively higher yields. We have had some repayments in our construction and commercial portfolio but it was still over $1.0 billion at quarter end. The existing book had benefitted from the high interest rate environment as it is almost entirely at floating rates. We proactively manage investments in our construction and commercial portfolio in terms of product composition, geographic mix, and exposure. We also have strong strategic partnerships with originators. The borrowers that we like to target are experienced developers with a successful track record of project completion and loan repayment, and often repeat customers to us. We continue to increase our lending in and around the urban markets of the Greater Vancouver area, the Greater Toronto area and, to a lesser degree, Calgary and Edmonton. There continues to be strong demand for builders to build more affordable housing and entry level homes in these markets due to household formation driven by population dynamics, and a lack of affordable housing.

We hold our marketable securities, comprised of publicly traded REITs, for the long term and for both current return and capital appreciation. We had unrealized fair value gains for the quarter and year to date due to overall stock market improvement from a declining interest rate forecast. We continue to realize the benefits of solid cash flows and distributions from these investments with a distribution yield[1] of 6.02% on this portfolio in the current year. In the long term, we expect further relief from interest rates to improve REIT valuations.

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. The funds 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. So far this year, we recognized a net unrealized fair value loss on this portfolio mainly related to updated property valuations partially offset by increased density approval on one underlying property. For projects currently being undertaken, we actively monitor their progress.

MCAP has reported higher income in the current quarter and year so far than the same prior year periods, mainly driven by higher securitized mortgage net interest income. MCAP is privately owned and is Canada's largest independent mortgage finance company. With the growth in its assets under management and its market leadership position, we expect that MCAP will continue to provide solid returns for MCAN.

We believe we provide our shareholders with a unique opportunity to invest in various channels of the Canadian real estate landscape. We finance residential construction projects in urban markets, originate residential mortgages, hold a REIT portfolio, invest in higher yielding mortgage funds, participate in real estate equity funds focused on asset value creation and the development of commercial and residential assets in key urban markets, and hold an approximately 14% interest in MCAP Commercial LP, a strategic partner to us. Collectively, this diversified pool of quality investments is not available to typical investors and provides a portfolio for participation primarily in the residential real estate market in Canada. We believe in the resiliency of these portfolios through various economic cycles and, therefore, our financial performance and shareholder returns over the long term.

I want to thank all our shareholders, partners, team members and the Board for their ongoing support. Without their support, we would not be able to continue to execute on our mission of delivering sustainable growth and value. While we are seeing continued interest rate cuts by the Bank of Canada with economic growth stalling and inflation easing, there is still some uncertainty in the economy and the housing market. In the year ahead, we expect new product launches, growth in our digital GIC platform and our hedging strategies to allow us to continue our path of profitable growth. We look to continue to improve our market position and invest in communities and homes for Canadians.

Donald Coulter
President and CEO

[1] *Considered to be a non-generally accepted accounting principle ("non-GAAP") and other financial measure and incorporated by reference and defined in the "Non-GAAP and Other Financial Measures" section of our 2024 Third Quarter MD&A available below or on SEDAR+ at www.sedarplus.ca. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.*

OUR BUSINESS AND STRATEGY

MCAN is the largest Mortgage Investment Corporation ("MIC") in Canada and the only federally regulated MIC. MCAN (TSX: MKP) provides sustainable growth and returns for our shareholders by leveraging our real estate expertise and providing our shareholders with unique access to investments in the Canadian real estate market and the returns that they generate. Our business includes real estate lending and investing, including residential mortgage lending, residential construction lending, non-residential construction and commercial lending, investing in a portfolio of REITs, and investing in and being invested in strategic private investments like (i) MCAP Commercial LP ("MCAP") (privately-owned and Canada's largest independent mortgage financing company) in which we own an almost 14% interest and (ii) non-marketable equity-based real estate development funds and mortgage funds. We provide a breadth of expertise in all facets of the real estate cycle that our shareholders benefit from. Our unique tax structure as a flow-through MIC allows us to not be taxed at the corporate level by distributing all of our taxable earnings annually to shareholders. It also means that 67% of our non-consolidated tax assets are to be held in residential mortgages and cash.

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

MCAN Home

MCAN Home is our residential mortgage lender that partners exclusively with accredited mortgage professionals to offer both insured and uninsured mortgage solutions across Canada. MCAN Home operates through MCAN's wholly owned subsidiary, MCAN Home Mortgage Corporation.

MCAN Capital

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

MCAN Wealth

MCAN Wealth offers investors CDIC insured investment solutions at competitive rates, differing term options, and with no fees.

Business Model

MIC Structure		Low-Cost Funding		Effective Operations		Sustainable Growth		Shareholder Value
Income from diversified, quality, real estate mortgages and investments that is not taxed at the corporate level	+	As the only OSFI-regulated MIC, we offer conservative leverage with low cost deposits eligible for CDIC insurance, as well as other funding sources	+	• Balance sheet and business process optimization • Investment portfolio a source of nascent value with unique participation in top tier private real estate investment vehicles • Positive team culture	=	• Earnings • Book value • Capital	➡	• Strong ROE • Growth in dividends • Total shareholder returns

MCAN's business model provides focused investing in products and markets where we have extensive expertise and that are not generally accessible to our shareholders, to generate attractive financial returns. We use our expertise to source our term deposits through a network of independent financial agents, as well as through a direct-to-consumer channel.

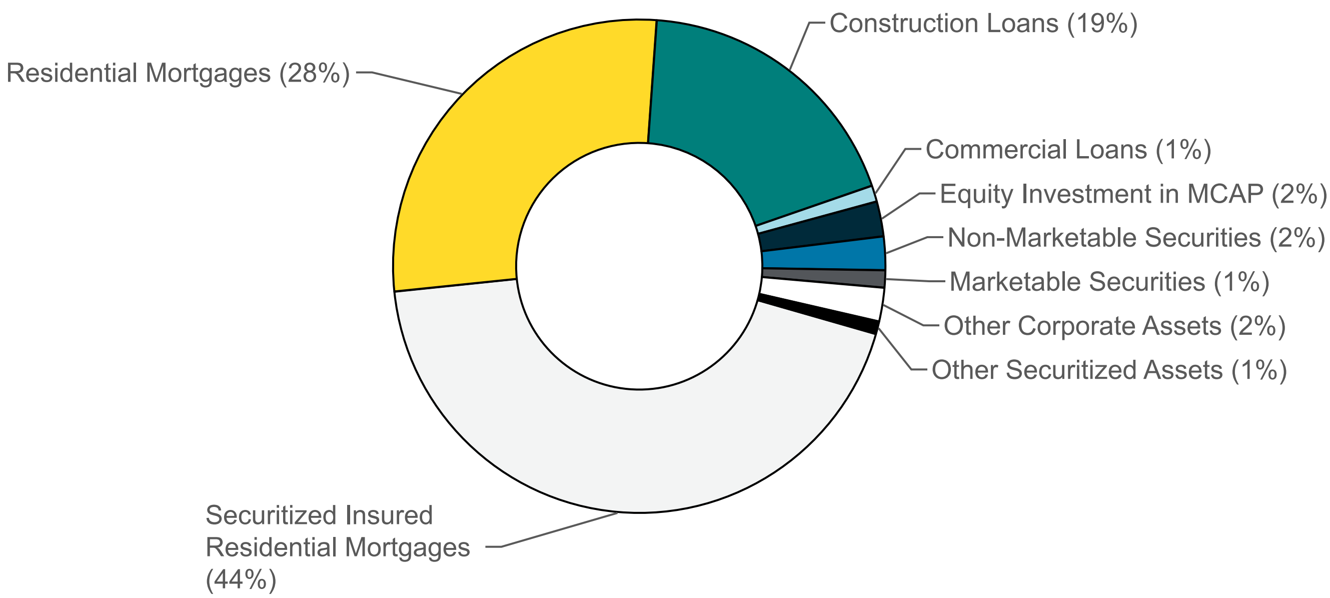
Our business model helps us to achieve our long-term objectives:

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

Our Investment Portfolio

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

Total Assets at September 30, 2024 of $5.2 billion



Residential Mortgage Lending (September 30, 2024 - $3.7 billion; December 31, 2023 - $3.2 billion)

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

Construction Lending (September 30, 2024 - $1.0 billion; December 31, 2023 - $1.0 billion)

Residential construction loans are made to developers to finance residential construction projects. We focus our lending on the construction of more affordable housing in urban/suburban growth markets with a preference for proximity to transit. This approach aims to mitigate the impact of price volatility and tightened sales activity in the event of market corrections. As well, these markets are where we, or our originating partners, have experience and local expertise. We have long established strategic relationships with originators, partners and borrowers. In house, we apply our own seasoned experience, underwriting and monitoring. The borrowers that we like to target are experienced developers with a successful track record of project completion and loan repayment, and often repeat customers to us. These loans generally have a floating interest rate, with a floor rate set at origination and loan terms typically ranging between 24 and 36 months. We also strategically lend at the land development stage to enhance longer term relationships with borrowers. Non-residential construction loans provide similar construction financing, but for retail shopping developments, office buildings and industrial developments.

Commercial Lending (September 30, 2024 - $56 million; December 31, 2023 - $71 million)

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

Investment in MCAP (September 30, 2024 - $120 million; December 31, 2023 - $111 million)

We have an almost 14% equity interest in MCAP. MCAP is Canada's largest independent mortgage finance company with assets under management of $154 billion, serving many institutional investors and over 400,000 homeowners. This investment allows us to participate in the growth of MCAP that typically provides quarterly distributions on our investment.

Non-Marketable Securities (September 30, 2024 - $114 million; December 31, 2023 - $110 million)

We have equity investments in various strategic private real estate development and mortgage funds or instruments. Our strategy of laddering these investments in these funds should provide above average returns on an overall basis, as the funds mature and their strategies are executed. All of the funds we invest in are backed by real estate in Canada and provide debt and equity capital to experienced and successful originators and developers. Certain of these funds focus on affordable housing, connected neighbourhoods and reducing the impact of climate change. These investments are 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.

Marketable Securities (September 30, 2024 - $59 million; December 31, 2023 - $50 million)

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

Our Loan Portfolio Quality

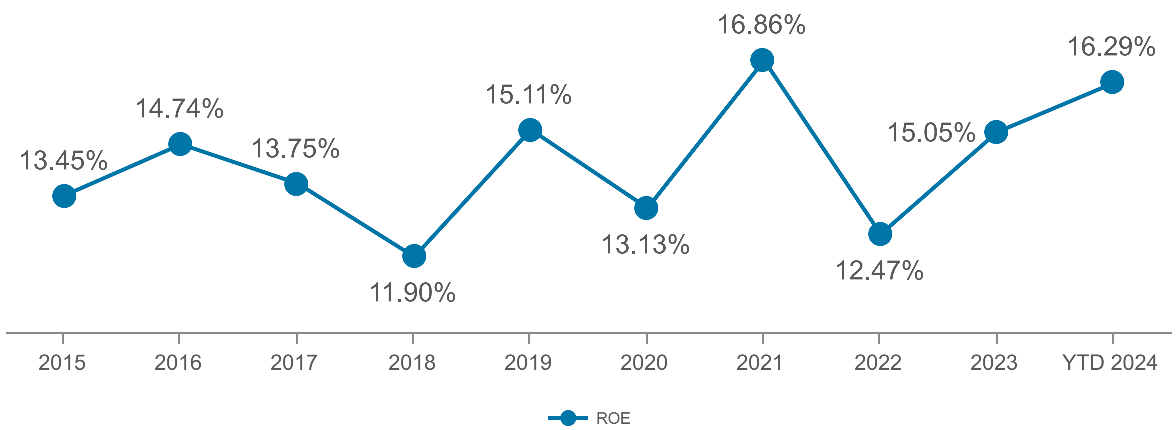
The majority of residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. We closely monitor and actively manage these arrears. We believe that we have a quality uninsured residential mortgage loan portfolio with an average loan to value of 63.5% at September 30, 2024 based on an industry index of current real estate values.

We have historically had low arrears related to our construction and commercial loan portfolios due to our prudent and selective lending methodology and our account management processes in these product types. We have a strong track record with our asset recovery programs as the need arises. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

Our Shareholder Returns

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

Historical ROE[1]



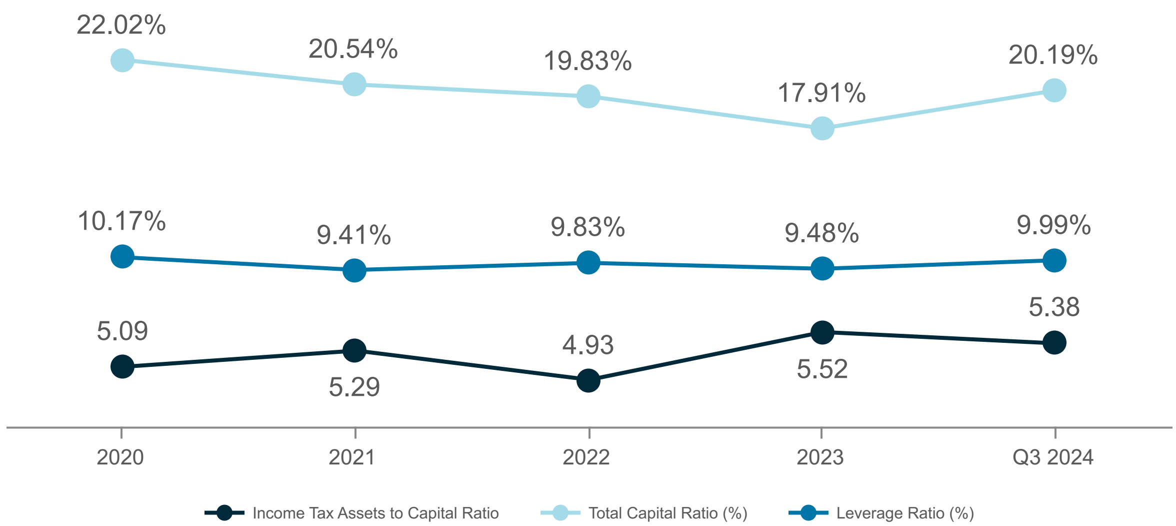
Our long-term objective is sustained 13% to 15% average ROE. The nature of our investing activities may result in fluctuations in our ROE year to year. ROE for year to date 2024 was mainly impacted by higher unrealized gains on our REIT portfolio and higher equity income from our investment in MCAP compared to year to date 2023. In the last 10 years, we have delivered an average ROE[1] of 14%.

[1] Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" of our 2024 MD&A available below or on SEDAR+ at www.sedarplus.ca. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

Our Capital Strength

We manage our capital and asset balances based on the regulations and limits of the *Trust and Loan Companies Act* (the "Trust Act"), *Income Tax Act* (Canada) (the "Tax Act") and the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Our strong capital base over the years has allowed us to pursue our growth strategy while achieving our long-term objectives. We have made a conscious effort over the last few years to try to optimize our balance sheet in order to position ourselves well for future growth and returns.

Historical Capital Ratios

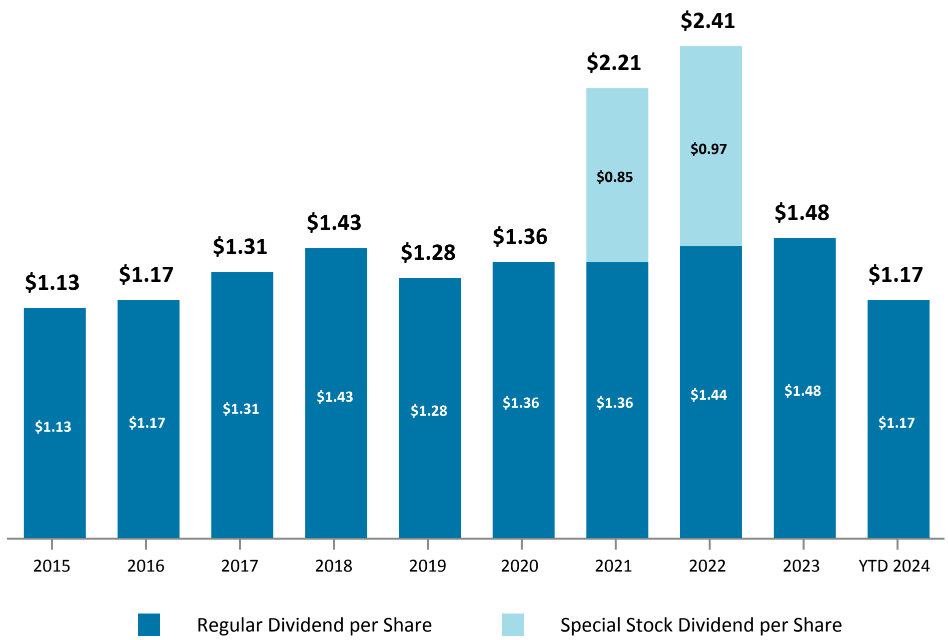


Our capital ratios have adjusted over the years as we have optimized our balance sheet, growing our assets utilizing excess capital room. Capital maintenance so far this year has come from our dividend reinvestment program and we had net capital growth due to our $27.2 million overnight marketed offering in Q1 2024 and $3.0 million through our at-the-market equity program in Q3 2024. Further growth in our capital will be dependent on equity market conditions and shareholder appetite. All of our capital and leverage ratios are within our regulatory and internal risk appetite guidelines.

Our Dividends

Uniquely structured as a MIC, our dividend policy is to pay out substantially all of our taxable income to our shareholders. These dividends are taxable to our shareholders as interest income. Should taxable income per share exceed our regular cash dividends per share, we would distribute special cash or stock dividends per our dividend policy. We have been paying regular dividends since 1992.

Dividend History



The Board of Directors ("Board") declared a fourth quarter regular cash dividend of $0.39 per share to be paid January 2, 2025 to shareholders of record on December 13, 2024.

Our Environment, Social and Governance ("ESG") Program

People First. Purpose Driven. Performance Focused.

MCAN's values and culture are rooted in our stakeholders, including our shareholders, customers, business partners and team members, and their communities:

E	• Supporting sustainable residential communities by providing residential mortgages using **responsible underwriting and risk management** practices that **deal with climate risk** on our portfolio • Providing capital and loans to real estate developers and investment funds who are committed to **community and climate-based responsible development**, primarily for **residential density development in urban communities close to mass transit** • Operational efficiency to **reduce our carbon footprint**
S	• **Lending to, and investing in**, the development of more **affordable housing** • **Investing in the communities** where our shareholders, customers, business partners and team members call home • Creating a **positive experience by tailoring products and offerings** for our stakeholders and customers to achieve their objectives
G	• Ensuring **strong governance and risk management practices** aligned with our role as a publicly traded regulated financial institution focused on all our stakeholders and their communities

At the core of our ESG program is our management team and the Board, who navigate the risks and opportunities in our business within our established sustainability framework. Our management team, along with our Board, have built a strong risk and governance framework by which we do business. We believe these practices are essential for the Company's success. Information about our risk governance structure is included in the "Risk Management" section of our MD&A for the year ended December 31, 2023, available on the System for Electronic Document Analysis and Retrieval at www.sedarplus.ca. We are establishing processes to meet requirements on climate risk, environmental risk and related disclosures and quantifying our business' environmental impact.

We remain committed to supporting sustainable residential development projects, investing in our team culture and professional growth, and supporting local charities. The capital we provide for construction lending opportunities primarily focuses on affordable residential development projects in urban markets that are committed to net zero emissions frameworks by 2050, including Toronto, Vancouver and Calgary. We also work with partners who are committed to responsible corporate citizenship. Many of these partners consider ESG at every phase of the real estate lifecycle and recognize that this creates the greatest value for stakeholders. We continue to invest in learning and development opportunities for our team members and support various local charitable organizations. We also support our team members by providing a work environment that allows for a flexible working structure, and enhancing our wellness, benefit and compensation plans.

Our MCAN DRIVE values support *lending* a hand…

- To Canadians dreaming of home ownership and wealth creation through investment in Canadian real estate;
- To communities through support and investment in projects that connect, empower and revitalize;
- To developers committed to social responsibility and building a low carbon world by reducing waste, emissions, and energy consumption;
- To shareholders by providing transparency on ESG risks and opportunities, and actively managing and improving on reporting on ESG performance to ensure alignment with their vision; and
- To team members through the cultivation of a diverse, inclusive, and collaborative culture.

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 and our website at 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 %) For the Periods Ended	Q3 2024	Q2 2024	Change (%)	Q3 2023	Change (%)	YTD 2024	YTD 2023	Change (%)
Income Statement Highlights								
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[1] [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 [1]	18.16 %	13.63 %	4.53%	14.20 %	3.96%	16.29 %	15.06 %	1.23%
Taxable income per share [2]	$ 0.25	$ 0.44	(43%)	$ 0.45	(44%)	$ 1.35	$ 1.44	(6%)
Yields								
Spread of corporate mortgages over term deposit interest and expenses [1]	2.78 %	2.93 %	(0.15%)	3.49 %	(0.71%)	2.95 %	3.64 %	(0.69%)
Spread of securitized mortgages over liabilities [1]	0.49 %	0.46 %	0.03%	0.42 %	0.07%	0.47 %	0.39 %	0.08%
Average term to maturity (in months)								
Mortgages - corporate	12.9	12.1	7%	13.1	(2%)			
Term deposits	19.1	19.2	(1%)	19.2	(1%)			

	Sept 30 2024	Jun 30 2024	Change (%)	Dec 31 2023	Change (%)
Balance Sheet Highlights					
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%
Capital Ratios					
Income tax assets to capital ratio [2]	5.38	5.34	1%	5.52	(3%)
CET 1 & Tier 1 capital ratio [4]	19.94 %	19.10 %	0.84%	17.61 %	2.33%
Total capital ratio [4]	20.19 %	19.35 %	0.84%	17.91 %	2.28%
Leverage ratio [3]	9.99 %	9.85 %	0.14%	9.49 %	0.50%
Credit Quality					
Impaired mortgage ratio (corporate) [1]	2.26 %	3.50 %	(1.24%)	3.26 %	(1.00%)
Impaired mortgage ratio (total) [1]	1.19 %	1.90 %	(0.71%)	1.82 %	(0.63%)
Mortgage Arrears					
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%
Common Share Information (end of period)					
Number of common shares outstanding	38,463	38,153	1%	35,432	9%
Book value per common share [1]	$ 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%

[1] Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.
[2] For further information refer to the "Taxable Income" and "Income Tax Capital" sections of this MD&A. Tax balances are calculated in accordance with the Tax Act.
[3] This measure has been calculated in accordance with OSFI's Leverage Requirements guidelines. Mortgages securitized through the market MBS program and CMB program for which derecognition has not been achieved are included in regulatory assets in the leverage ratio. For further information, refer to the "Capital Management" section of this MD&A.
[4] These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines.

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
Income Statement Highlights								
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[1] [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 [1]	18.16 %	13.63 %	17.09 %	15.01 %	14.20 %	12.47 %	18.60 %	21.17 %
Taxable income (loss) per share [2]	$ 0.25	$ 0.44	$ 0.67	$ (0.13)	$ 0.45	$ 0.66	$ 0.33	$ 1.11
Spreads								
Spread of corporate mortgages over term deposit interest and expenses [1]	2.78 %	2.93 %	3.14 %	3.34 %	3.49 %	3.63 %	3.78 %	3.32 %
Spread of securitized mortgages over liabilities [1]	0.49 %	0.46 %	0.46 %	0.39 %	0.42 %	0.39 %	0.39 %	0.39 %
Average term to maturity (in months)								
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
Balance Sheet Highlights ($ million)								
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
Capital Ratios								
Income tax assets to capital ratio [2]	5.38	5.34	5.14	5.52	5.14	5.22	5.02	4.93
CET 1 & Tier 1 capital ratios [4]	19.94 %	19.10 %	19.00 %	17.61 %	17.72 %	17.90 %	19.59 %	19.60 %
Total capital ratio [4]	20.19 %	19.35 %	19.23 %	17.91 %	17.98 %	18.14 %	19.81 %	19.83 %
Leverage ratio [3]	9.99 %	9.85 %	10.11 %	9.49 %	9.76 %	9.71 %	9.94 %	9.83 %
Credit Quality								
Impaired mortgage ratio (corporate) [1]	2.26 %	3.50 %	3.42 %	3.26 %	1.76 %	1.70 %	1.92 %	1.66 %
Impaired mortgage ratio (total) [1]	1.19 %	1.90 %	1.83 %	1.82 %	0.99 %	0.96 %	1.05 %	0.89 %
Mortgage Arrears								
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
Common Share Information (end of period)								
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 [1]	$ 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

[1] Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.
[2] For further information refer to the "Taxable Income" and "Income Tax Capital" sections of this MD&A. Tax balances are calculated in accordance with the Tax Act.
[3] This measure has been calculated in accordance with OSFI's Leverage Requirements guidelines. Mortgages securitized through the market MBS program and CMB program for which derecognition has not been achieved are included in regulatory assets in the leverage ratio. For further information, refer to the "Capital Management" section of this MD&A.
[4] These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines. Effective March 31, 2020, the total capital 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[1] was 18.16% for Q3 2024 compared to 14.20% in Q3 2023.

- Net corporate mortgage spread income[1] 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[1] 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[1] of 6.06%) from our REITs compared to $0.7 million (distribution yield[1] 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[1] was 16.29% for 2024 compared to 15.06% in 2023.

- Net corporate mortgage spread income[1] 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[1] 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[1] of 6.02%) from our REITs compared to $2.8 million (distribution yield[1] 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[1] was 3.06% at September 30, 2024 compared 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[1] 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[1] 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[3] 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[2] 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[2] was 20.19% at September 30, 2024 compared to 19.35% at June 30, 2024 and 17.91% at December 31, 2023. Leverage ratio[2] 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.

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

RESULTS OF OPERATIONS

Table 3: Net Income

(in thousands except for per share amounts and %) For the Periods Ended	Q3 2024	Q2 2024	Change (%)	Q3 2023	Change (%)	YTD 2024	YTD 2023	Change (%)
Net Investment Income - Corporate Assets								
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%)
	65,080	**60,807**	**7%**	**51,173**	**27%**	**185,552**	**145,960**	**27%**
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%)
	31,482	**32,047**	**(2%)**	**25,517**	**23%**	**92,597**	**66,543**	**39%**
	33,598	**28,760**	**17%**	**25,656**	**31%**	**92,955**	**79,417**	**17%**
Net Investment Income - Securitization Assets								
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%
	17,186	**15,083**	**14%**	**10,069**	**71%**	**46,099**	**29,302**	**57%**
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
	15,566	**13,880**	**12%**	**9,299**	**67%**	**41,962**	**26,501**	**58%**
	1,620	**1,203**	**35%**	**770**	**110%**	**4,137**	**2,801**	**48%**
Operating Expenses								
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%
	8,326	**9,625**	**(13%)**	**8,542**	**(3%)**	**26,942**	**25,383**	**6%**
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%)
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%

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	September 30, 2024			June 30, 2024			September 30, 2023		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Residential mortgages									
Insured	$ 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[1]		$ 20,046			$ 20,896			$ 23,061	
Spread of corporate mortgages over term deposit interest and expenses [1]			2.78 %			2.93 %			3.49 %
Average term to maturity (months)									
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	2024			2023		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
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[1]		$ 62,880			$ 64,733	
Spread of corporate mortgages over term deposit interest and expenses [1]			2.95 %			3.64 %

[1] Considered to be a Non-GAAP and other financial measure. The net corporate mortgage spread income and the spread of corporate mortgages over term deposit interest and expenses are indicators of the profitability of income earning assets less the cost of funding. Net corporate mortgage spread income is calculated as the difference between corporate mortgage interest and term deposit interest and expenses, both of which are IFRS measures. Average rate is equal to income/expense divided by the average balance over the period on an annualized basis. Income/expense incorporates items such as penalty income, commitment fee income, origination expense, 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 %) For the Periods Ended	Q3 2024	Q2 2024	Change (%)	Q3 2023	Change (%)	YTD 2024	YTD 2023	Change (%)
Originations								
Residential mortgages - insured fixed [2]	$ 169,507	$ 177,684	(5%)	$ 159,495	6%	$ 478,667	$ 359,012	33%
Residential mortgages - insured adjustable rate [2]	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 [1]	23,065	61,607	(63%)	9,502	143%	85,752	18,941	353%
Residential construction [1]	135,077	157,133	(14%)	200,672	(33%)	413,909	472,796	(12%)
Non-residential construction [1]	1,437	4,551	(68%)	3,311	(57%)	6,035	3,311	82%
Commercial [1]	50	—	n/a	—	n/a	50	3,675	(99%)
	$ 445,590	**$ 520,729**	**(14%)**	**$ 484,279**	**(8%)**	**$1,344,789**	**$1,158,064**	**16%**

[1] Construction, commercial and completed inventory originations represent all advances on loans.
[2] 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[1] 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[1] 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[1] 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.

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

Net Investment Income - Securitization Assets

Net investment income from securitization assets relates to our participation in the market MBS program and the Canada Housing Trust ("CHT") Canada Mortgage Bonds ("CMB") program. Our total new securitization volumes were $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.

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

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		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Mortgages - securitized portfolio	$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 [1]		$ 2,529			$ 2,202			$ 1,469	
Spread of securitized mortgages over liabilities [1]			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		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
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 [1]		$ 6,884			$ 4,854	
Spread of securitized mortgages over liabilities [1]			0.47 %			0.39 %

[1] Considered to be a non-GAAP and other financial measure. The net securitized mortgage spread income and spread of securitized mortgages over liabilities are indicators of the profitability of securitized assets less securitized liabilities. Net securitized mortgage spread income is calculated as the difference between securitized mortgage interest and interest on financial liabilities from securitization, both of which are IFRS measures. Average rate is equal to income/expense divided by the average balance over the period on an annualized basis. Income/expense incorporates items such as penalty income, 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%)
Corporate mortgage portfolio data:								
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%
	$ 8,326	**$ 9,625**	**(13%)**	**$ 8,542**	**(3%)**	**$ 26,942**	**$ 25,383**	**6%**

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 [2]	224	463	(716)	1,319
Add: Amortization of upfront securitization program costs [3]	3,628	2,738	10,726	8,157
Deduct: Securitization program mortgage origination costs [3]	(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 [4]	(5,671)	3,643	(4,983)	7,661
Reverse: Loss (income) earned in subsidiaries [5]	2,649	(775)	2,361	(1,503)
Deduct: Gain on dilution of MCAP [6]	—	—	(680)	(1,048)
Other items	(564)	(23)	411	56
Taxable Income (Loss)[1]	**$ 9,428**	**$ 15,865**	**$ 50,307**	**$ 50,164**

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

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 (%)
Corporate Assets					
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%
	2,879,994	**2,864,351**	**1%**	**2,756,329**	**4%**
Securitization Assets					
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%)
	2,333,290	**2,232,536**	**5%**	**1,982,758**	**18%**
	$ 5,213,284	**$ 5,096,887**	**2%**	**$ 4,739,087**	**10%**

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 (%)
Corporate portfolio					
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%)
	2,472,019	**2,499,887**	**(1%)**	**2,414,855**	**2%**
Securitized portfolio	**2,289,587**	**2,169,799**	**6%**	**1,929,948**	**19%**
	$ 4,761,606	**$ 4,669,686**	**2%**	**$ 4,344,803**	**10%**

Table 14: Corporate Mortgage Portfolio Continuity for Q3 2024

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 280,452**	**$ 1,053,032**	**$ 83,481**	**$ 1,027,226**	**$ 55,696**	**$ 2,499,887**
Originations[1]	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)
Balance, end of the period	**$ 250,660**	**$ 1,106,088**	**$ 91,203**	**$ 968,433**	**$ 55,635**	**$ 2,472,019**

[1] 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
Balance, beginning of the period	**$ 244,600**	**$ 906,074**	**$ 9,803**	**$ 956,569**	**$ 107,381**	**$ 2,224,427**
Originations[1]	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)
Securitizations	(144,238)	—	—	—	—	(144,238)
Sale of commitments	(3,081)	—	—	—	—	(3,081)
Capitalization and amortization of fees	94	265	(58)	553	1,274	2,128
Balance, end of the period	**$ 269,271**	**$ 956,188**	**$ 18,201**	**$ 997,423**	**$ 96,634**	**$ 2,337,717**

[1] *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
Balance, beginning of the period	**$ 276,685**	**$ 966,726**	**$ 54,367**	**$ 1,045,768**	**$ 71,309**	**$ 2,414,855**
Originations[1]	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)
Securitizations	(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
Balance, end of the period	**$ 250,660**	**$ 1,106,088**	**$ 91,203**	**$ 968,433**	**$ 55,635**	**$ 2,472,019**

[1] *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
Balance, beginning of the period	**$ 144,569**	**$ 828,540**	**$ 36,680**	**$ 825,126**	**$ 104,579**	**$ 1,939,494**
Originations[1]	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)
Securitizations	(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
Balance, end of the period	**$ 269,271**	**$ 956,188**	**$ 18,201**	**$ 997,423**	**$ 96,634**	**$ 2,337,717**

[1] *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)

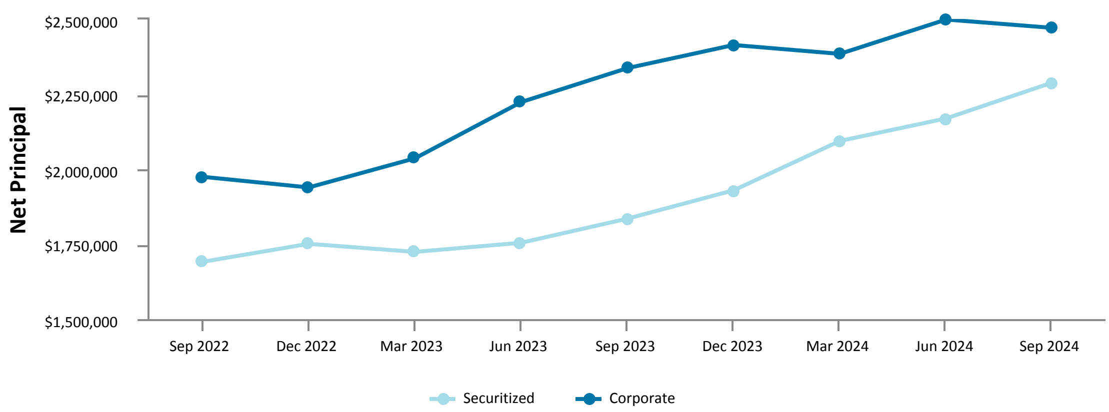
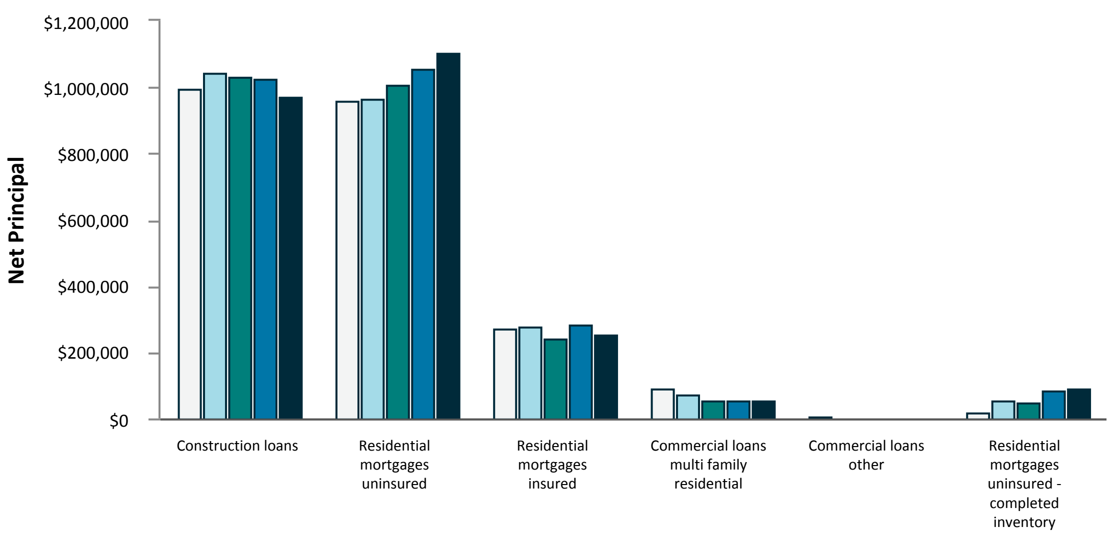


Figure 2: Corporate Mortgage Portfolio Composition by Product Type (in thousands)



	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 %
	100.0 %	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

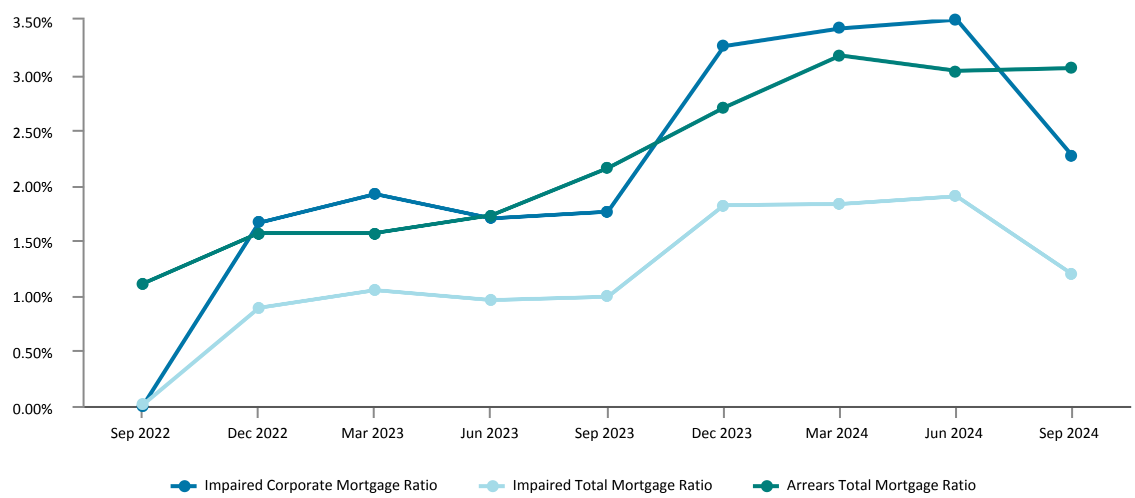
Credit Quality

Table 19: Arrears and Impaired Mortgages

(in thousands except %)	September 30 2024	June 30 2024	Change (%)	December 31 2023	Change (%)
Impaired mortgages					
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 [1]	2.26 %	3.50 %	(1.24%)	3.26 %	(1.00%)
Impaired total mortgage ratio [1]	1.19 %	1.90 %	(0.71%)	1.82 %	(0.63%)
Mortgage arrears					
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%
Staging analysis - corporate portfolio					
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%
Allowance for credit losses					
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%

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

Figure 3: Arrears and Impaired Mortgage Ratios[1]



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.

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

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

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

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

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

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

(in thousands except %)	Corporate						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
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 %
Total	**$ 250,579**	**100.0 %**	**$1,197,291**	**100.0 %**	**$ 81**	**100.0 %**	**$2,289,587**	**100.0 %**	**$ 3,737,538**	**100.0 %**

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

(in thousands except %)	Corporate						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
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 %
Total	**$ 276,611**	**100.0 %**	**$1,021,093**	**100.0 %**	**$ 74**	**100.0 %**	**$1,929,948**	**100.0 %**	**$ 3,227,726**	**100.0 %**

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

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

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	$ 292,137	$ 450,377	$ 372,861	$ 1,297,778
	14.1 %	22.4 %	34.7 %	28.8 %	100.0 %
Securitized	$ 585,539	$ 1,343,070	$ 1,339	$ —	$ 1,929,948
	30.3 %	69.6 %	0.1 %	— %	100.0 %
Total	**$ 767,942**	**$ 1,635,207**	**$ 451,716**	**$ 372,861**	**$ 3,227,726**
	23.8 %	**50.6 %**	**14.0 %**	**11.6 %**	**100.0 %**

Table 24: Average LTV Ratio for Uninsured Residential Mortgage Originations

(in thousands except %) **For the Periods Ended**	**Q3 2024**	**Average LTV**	**Q3 2023**	**Average LTV**	**YTD 2024**	**Average LTV**	**YTD 2023**	**Average 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%
	$137,689	**68.4%**	**$116,923**	**67.2%**	**$397,001**	**68.3%**	**$303,428**	**68.6%**

Table 25: Average LTV Ratios at Origination by Mortgage Portfolio

	September 30 2024	**December 31 2023**
Corporate portfolio		
Residential mortgages		
Insured	70.8 %	69.6 %
Uninsured[1]	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 %
Securitized portfolio	80.0 %	79.9 %
	72.6 %	**72.0 %**

[1] 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 then 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 (%)
Corporate Liabilities					
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%)
	2,327,423	**2,341,042**	**(1%)**	**2,290,360**	**2%**
Securitization Liabilities					
Financial liabilities from securitization	2,284,021	2,170,634	5%	1,916,883	19%
	2,284,021	**2,170,634**	**5%**	**1,916,883**	**19%**
	4,611,444	**4,511,676**	**2%**	**4,207,243**	**10%**
Shareholders' Equity					
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%)
	601,840	**585,211**	**3%**	**531,844**	**13%**
	$ 5,213,284	**$ 5,096,887**	**2%**	**$ 4,739,087**	**10%**

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
Income tax assets		
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 [1]	(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
Income tax liabilities		
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 [1]	(2,280,190)	(1,913,719)
	$ 2,322,876	$ 2,221,763
Income tax capital	$ 530,714	$ 491,094
Income tax capital ratios		
Income tax assets to capital ratio	5.38	5.52
Income tax liabilities to capital ratio	4.38	4.52

[1] *The majority of securitization assets and liabilities on the balance sheet are excluded from income tax assets, liabilities and capital as they are derecognized for income tax purposes in accordance with the Tax Act.*

Regulatory Capital

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

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

Our CET 1 capital consists of share capital, contributed surplus and retained earnings. We do not hold any additional Tier 1 capital instruments; therefore, our CET 1 capital is equal to our Tier 1 capital. Our Tier 2 capital consists of Stage 1 and Stage 2 mortgage allowances calculated under IFRS. 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 [3]

(in thousands except %)

	September 30 2024	December 31 2023
OSFI Regulatory Ratios		
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 [1]	(59,521)	(58,183)
Common Equity Tier 1 and Tier 1 Capital (A)	542,319	473,661
Tier 2 Capital	6,920	7,953
Total Capital (D)	$ 549,239	$ 481,614
Total Exposure/Regulatory Assets		
Consolidated assets	$ 5,213,284	$ 4,739,087
Less: deduction for equity investment in MCAP [1]	(59,521)	(58,183)
Other adjustments [2]	3,037	1,900
Total On-Balance Sheet Exposures	5,156,800	4,682,804
Mortgages and non-marketable securities funding commitments	249,109	286,655
Letters of credit	20,328	24,318
Total Off-Balance Sheet Items	269,437	310,973
Total Exposure/Regulatory Assets (B)	$ 5,426,237	$ 4,993,777
Leverage ratio (A / B)	9.99 %	9.49 %
Risk-weighted assets (C)	$ 2,720,172	$ 2,689,764
Regulatory Capital Ratios		
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 %

[1] The deduction for the equity investment in MCAP is equal to the equity investment balance less 10% of shareholders' equity and eligible stage 1 and stage 2 mortgage allowances.
[2] Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.
[3] These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements and Leverage Requirements guidelines.

Table 29: Regulatory Risk-Weighted Assets [1]

(in thousands except %)	September 30, 2024			December 31, 2023		
	Amounts	Average Rate	Risk-Weighted Assets	Amounts	Average Rate	Risk-Weighted Assets
On-Balance Sheet Assets						
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	— %	—
	5,213,284		2,208,912	4,739,087		2,153,392
Off-Balance Sheet Items						
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
			288,797			331,359
Charge for operational risk [2]			222,463			205,013
Risk-Weighted Assets			**$ 2,720,172**			**$ 2,689,764**

[1] This measure has been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines.
[2] We use the basic indicator approach for operational risk, which is equal to 15% of the previous three-year average of net investment income from corporate and securitized assets excluding provisions for credit losses multiplied by a factor of 12.5.

Other Capital Management Activity

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

RISK MANAGEMENT

Effective risk management and an established risk management framework support a strong risk and resilient culture, and help the Company provide sustainable growth and returns while maintaining an appropriate balance between risk and return. The Company's risk management framework is subject to constant evaluation in order to meet operational demands, regulatory requirements and industry best practices, and it is updated in alignment with our strategy and risk appetite. The Company's framework which is designed to identify, measure, monitor and report risks and vulnerabilities is outlined in the "Risk Management" section of the 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**
Sources of liquidity						
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
Uses of liquidity						
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
Net liquidity surplus (deficit)	**$ 475,059**	**$ 210,669**	**$ (87,246)**	**$ (314,985)**	**$ 123,480**	**$ 406,977**

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
Assets								
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
	1,400,962	208,120	850,400	1,707,941	670,686	15,702	359,473	5,213,284
Liabilities								
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
	161,032	345,370	1,037,433	2,129,107	919,193	—	19,309	4,611,444
Shareholders' Equity	—	—	—	—	—	—	601,840	601,840
GAP	**$1,239,930**	**$(137,250)**	**$(187,033)**	**$(421,166)**	**$(248,507)**	**$ 15,702**	**$ (261,676)**	**$ —**
YIELD SPREAD	**4.08 %**	**1.28 %**	**1.34 %**	**0.68 %**	**0.39 %**	**4.54 %**		

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
Assets								
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
	1,392,459	178,869	578,410	1,766,417	480,576	8,614	333,742	4,739,087
Liabilities								
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
	190,785	290,247	941,079	1,989,704	769,923	—	25,505	4,207,243
Shareholders' Equity	—	—	—	—	—	—	531,844	531,844
GAP	**$1,201,674**	**$(111,378)**	**$(362,669)**	**$(223,287)**	**$(289,347)**	**$ 8,614**	**$ (223,607)**	**$ —**
YIELD SPREAD	**4.36 %**	**2.07 %**	**1.56 %**	**0.74 %**	**(0.03)%**	**5.39 %**		

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
	$ 349,990	**$ 178,653**	**$ 55,368**	**$ 8,417**	**$ 30,344**	**$ 622,772**

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	
Net Corporate Mortgage Spread Income	**$ 20,046**	**$ 23,061**	**$ (3,015)**	**$ 62,880**	**$ 64,733**	**$ (1,853)**

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	
Net Securitized Mortgage Spread Income	**$ 2,529**	**$ 1,469**	**$ 1,060**	**$ 6,884**	**$ 4,854**	**$ 2,030**

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.

CONSOLIDATED BALANCE SHEETS

(Unaudited) (in thousands of Canadian dollars)

	Note	September 30 2024	December 31 2023
Assets			
Corporate Assets			
Cash and cash equivalents		$ 86,706	$ 60,345
Marketable securities		59,081	50,320
Mortgages	6	2,472,019	2,414,855
Non-marketable securities	7	113,848	109,943
Equity investment in MCAP Commercial LP	8	119,705	111,367
Derivative financial instruments	11	2,500	198
Deferred tax assets		478	336
Other assets		25,657	8,965
		2,879,994	**2,756,329**
Securitization Assets			
Cash held in trust		24,868	30,909
Mortgages	10	2,289,587	1,929,948
Other assets	10	18,835	21,901
		2,333,290	**1,982,758**
		$ 5,213,284	**$ 4,739,087**
Liabilities and Shareholders' Equity			
Liabilities			
Corporate Liabilities			
Term deposits		$ 2,308,045	$ 2,200,102
Demand loans payable	19	69	64,683
Current taxes payable		370	—
Other liabilities		18,939	25,575
		2,327,423	**2,290,360**
Securitization Liabilities			
Financial liabilities from securitization	12	2,284,021	1,916,883
		2,284,021	**1,916,883**
		4,611,444	**4,207,243**
Shareholders' Equity			
Share capital	13	452,099	406,528
Contributed surplus		510	510
Retained earnings		150,972	124,708
Accumulated other comprehensive income		(1,741)	98
		601,840	**531,844**
		$ 5,213,284	**$ 4,739,087**

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

CONSOLIDATED STATEMENTS OF INCOME

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

For the Periods Ended September 30	Note	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Net Investment Income - Corporate Assets					
Mortgage interest		$ 48,067	$ 44,144	$ 144,497	$ 118,591
Equity income from MCAP Commercial LP	8	6,667	4,310	21,576	17,581
Non-marketable securities		1,966	2,056	5,796	6,706
Marketable securities		765	693	2,282	2,797
Fees		1,024	480	2,653	1,689
Interest on cash and other income		920	1,071	3,085	3,147
Net gain (loss) on securities	15	5,671	(1,581)	4,983	(5,599)
Gain on dilution of investment in MCAP Commercial LP	8	—	—	680	1,048
		65,080	**51,173**	**185,552**	**145,960**
Term deposit interest and expenses	11	28,021	21,083	81,617	53,858
Mortgage expenses	16	2,006	1,794	6,154	5,392
Interest on loans payable		153	2,241	2,578	4,813
Other financial expenses	18	—	—	150	100
Provision for credit losses	17	1,302	399	2,098	2,380
		31,482	**25,517**	**92,597**	**66,543**
		33,598	**25,656**	**92,955**	**79,417**
Net Investment Income - Securitization Assets					
Mortgage interest		16,593	9,616	44,628	28,026
Other securitization income		593	453	1,471	1,276
		17,186	**10,069**	**46,099**	**29,302**
Interest on financial liabilities from securitization	11	14,064	8,147	37,744	23,172
Mortgage expenses	16	1,502	1,152	4,218	3,329
		15,566	**9,299**	**41,962**	**26,501**
		1,620	**770**	**4,137**	**2,801**
Operating Expenses					
Salaries and benefits		6,627	6,015	18,971	17,499
General and administrative		1,699	2,527	7,971	7,884
		8,326	**8,542**	**26,942**	**25,383**
Net Income Before Income Taxes		**26,892**	**17,884**	**70,150**	**56,835**
Provision for (recovery of) income taxes					
Current		363	—	431	—
Deferred		(363)	(595)	(142)	(808)
		—	**(595)**	**289**	**(808)**
Net Income		**$ 26,892**	**$ 18,479**	**$ 69,861**	**$ 57,643**
Basic and diluted earnings per share		$ 0.70	$ 0.53	$ 1.87	$ 1.66
Cash dividends per share		$ 0.39	$ 0.38	$ 1.17	$ 1.10
Weighted average number of basic and diluted shares (000's)		38,186	35,094	37,315	34,816

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited) (in thousands of Canadian dollars)

For the Periods Ended September 30	Note	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Net Income		$ 26,892	$ 18,479	$ 69,861	$ 57,643
Other comprehensive income items that may be subsequently reclassified to income (loss):					
Cash Flow Hedges	11				
Net gains (losses) from changes in fair value of cash flow hedges		(716)	637	(1,949)	2,488
Reclassification of net losses (gains) to net income		101	(79)	110	(30)
Total Other Comprehensive Income		**(615)**	**558**	**(1,839)**	**2,458**
Comprehensive Income		**$ 26,277**	**$ 19,037**	**$ 68,022**	**$ 60,101**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited) (in thousands of Canadian dollars)

For the Periods Ended September 30	Note	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Share Capital					
Balance, beginning of period		$ 446,841	$ 401,231	$ 406,528	$ 389,986
Share capital issued, net of share issuance costs	13	5,258	5,350	45,571	16,595
Balance, end of period		**452,099**	**406,581**	**452,099**	**406,581**
Contributed Surplus		**510**	**510**	**510**	**510**
Retained Earnings					
Balance, beginning of period		138,986	113,183	124,708	98,990
Net income		26,892	18,479	69,861	57,643
Dividends declared	13	(14,906)	(13,347)	(43,597)	(38,318)
Balance, end of period		**150,972**	**118,315**	**150,972**	**118,315**
Accumulated Other Comprehensive Income	11				
Balance, beginning of period		(1,126)	1,724	98	(176)
Other comprehensive income		(615)	558	(1,839)	2,458
Balance, end of period		**(1,741)**	**2,282**	**(1,741)**	**2,282**
Total Shareholders' Equity		**$ 601,840**	**$ 527,688**	**$ 601,840**	**$ 527,688**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (in thousands of Canadian dollars)

For the Periods Ended September 30	Note	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Cash flows from (for):					
Operating Activities					
Net income		$ 26,892	$ 18,479	$ 69,861	$ 57,643
Adjustments to determine cash flows relating to operating activities:					
Provision for (recovery of) income taxes		(363)	(595)	(142)	(808)
Equity income from MCAP Commercial LP	8	(6,667)	(4,310)	(21,576)	(17,581)
Gain on dilution of investment in MCAP Commercial LP	8	—	—	(680)	(1,048)
Provision for credit losses	17	1,302	399	2,098	2,380
Net (gain) loss on securities		(5,671)	1,581	(4,983)	5,599
Amortization of cash flow hedges net losses (gains)		101	(79)	109	(30)
Amortization of securitized mortgage and liability transaction costs		2,546	2,514	7,560	6,705
Amortization of other assets		216	45	592	323
Changes in operating assets and liabilities:					
Marketable securities		—	—	(209)	—
Corporate and securitized mortgages		(94,965)	(195,662)	(423,681)	(488,432)
Non-marketable securities		(1,262)	(2,352)	(7,474)	(12,300)
Derivative Financial Instruments		(3,324)	390	(4,250)	2,241
Other assets		(3,433)	927	(8,195)	(1,743)
Cash held in trust		19,229	15,346	6,041	6,224
Term deposits		(6,901)	73,416	107,943	274,958
Financial liabilities from securitization		112,584	75,302	364,357	80,980
Current taxes payable		363	—	370	—
Other liabilities		1,740	1,501	217	(456)
Cash flows from (for) operating activities		**42,387**	**(13,098)**	**87,958**	**(85,345)**
Investing Activities					
Distributions from MCAP Commercial LP	8	5,439	3,906	13,918	14,575
Acquisition of capital and intangible assets		(2,992)	(53)	(5,377)	(298)
Cash flows from investing activities		**2,447**	**3,853**	**8,541**	**14,277**
Financing Activities					
Proceeds from issuance of common shares, net of share issuance costs		3,023	1,366	30,176	2,137
Net change in demand loans		(15,416)	(48,875)	(64,614)	76,703
Increase (decrease) in premises lease liability		6,771	—	6,581	(183)
Dividends paid		(12,670)	(9,361)	(42,281)	(35,326)
Cash flows from (for) financing activities		**(18,292)**	**(56,870)**	**(70,138)**	**43,331**
Increase (decrease) in cash and cash equivalents		26,542	(66,115)	26,361	(27,737)
Cash and cash equivalents, beginning of period		60,164	116,588	60,345	78,210
Cash and cash equivalents, end of period		**$ 86,706**	**$ 50,473**	**$ 86,706**	**$ 50,473**
Supplementary Information					
Interest received		$ 65,198	$ 57,391	$ 197,074	$ 156,842
Interest paid		39,383	34,205	116,552	84,993
Distributions received from securities		2,732	2,148	8,097	7,004

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note

1. Corporate Information

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

MCAN's objective is to generate a reliable stream of income by investing in a diversified portfolio of Canadian mortgages, including residential, residential construction, non-residential construction and commercial loans, as well as other types of securities, loans and real estate investments, including our investment in MCAP Commercial LP ("MCAP"). MCAN issues term deposits that are eligible for Canada Deposit Insurance Corporation deposit insurance and are sourced through a network of independent financial agents. The Company manages its capital and asset balances based on the regulations and limits of both the Tax Act and OSFI.

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

The interim consolidated financial statements were approved in accordance with a resolution of the Board of Directors (the "Board") on November 11, 2024.

2. Basis of Preparation

The interim consolidated financial statements of the Company have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements should be read in conjunction with the 2023 Annual Report.

The interim consolidated financial statements have been prepared on a historical cost basis, except for certain items carried at fair value as discussed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2023. The interim consolidated financial statements are presented in Canadian dollars.

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

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

3. Basis of Consolidation

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

4. Material Accounting Policy Information

The material accounting policies applied by the Company in the preparation of its interim consolidated financial statements are the same as those disclosed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2023.

5. Summary of Significant Accounting Judgments and Estimates

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

Significant influence

Significant influence represents the power to participate in the financial and operating policy decisions of an investee but does not represent control or joint control over the entity. In determining whether it has significant influence over an entity, the Company makes certain judgments to form the basis for the Company's policies in accounting for its equity investments. Although MCAN's voting interest in MCAP was less than 20% at September 30, 2024, MCAN uses the equity basis of accounting for the investment as it has significant influence in MCAP per IAS 28, *Investments in Associates and Joint Ventures*, as a result of its entitlement to a position on MCAP's Board of Directors.

Fair value of financial instruments

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

Impairment of financial assets

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

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

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

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

(Dollar amounts in thousands except for per share amounts)

Mortgage prepayment rates

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

6. Mortgages - Corporate

(a) Summary

At September 30, 2024	Gross Principal	Allowance Stage 1	Allowance Stage 2	Allowance Stage 3	Allowance Total	Net Principal
Corporate Portfolio:						
Residential mortgages						
Insured	$ 250,660	$ —	$ —	$ —	$ —	$ 250,660
Uninsured	1,109,977	1,196	1,357	1,336	3,889	1,106,088
Uninsured - completed inventory	91,954	728	23	—	751	91,203
Construction loans	975,653	3,424	34	3,762	7,220	968,433
Commercial loans						
Multi family residential	55,793	48	110	—	158	55,635
Other commercial	—	—	—	—	—	—
	$ 2,484,037	**$ 5,396**	**$ 1,524**	**$ 5,098**	**$ 12,018**	**$ 2,472,019**

At December 31, 2023	Gross Principal	Allowance Stage 1	Allowance Stage 2	Allowance Stage 3	Allowance Total	Net Principal
Corporate Portfolio:						
Residential mortgages						
Insured	$ 276,685	$ —	$ —	$ —	$ —	$ 276,685
Uninsured	969,256	885	1,267	378	2,530	966,726
Uninsured - completed inventory	54,714	336	11	—	347	54,367
Construction loans	1,052,572	5,210	—	1,594	6,804	1,045,768
Commercial loans						
Multi family residential	70,345	201	41	—	242	70,103
Other commercial	1,208	2	—	—	2	1,206
	$ 2,424,780	**$ 6,634**	**$ 1,319**	**$ 1,972**	**$ 9,925**	**$ 2,414,855**

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

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

(b) Mortgages by risk rating

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

The internal risk ratings presented below are defined as follows:

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

The table below shows the credit quality of the Company's corporate mortgage portfolio based on the Company's internal risk rating system and stage classification. The Company's policy that outlines whether ECL allowances are calculated on an impaired or performing basis is discussed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2023.

(Dollar amounts in thousands except for per share amounts)

At	September 30, 2024				December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages								
Insured								
Insured performing	$ 238,979	$ 9,331	$ —	$ 248,310	$ 264,514	$ 11,358	$ —	$ 275,872
Monitored/Arrears	—	1,466	—	1,466	—	214	—	214
Impaired/Default	—	—	884	884	—	—	599	599
	238,979	10,797	884	250,660	264,514	11,572	599	276,685
Uninsured								
Very low/Low	293,457	65,231	—	358,688	328,323	55,912	—	384,235
Normal/Moderate	511,614	89,417	—	601,031	399,425	83,046	—	482,471
High/Higher	72,934	20,901	—	93,835	48,493	11,757	—	60,250
Monitored/Arrears	14,906	24,918	—	39,824	—	33,799	—	33,799
Impaired/Default	—	—	12,710	12,710	—	—	5,971	5,971
	892,911	200,467	12,710	1,106,088	776,241	184,514	5,971	966,726
Uninsured - completed inventory								
Normal/Moderate	3,953	—	—	3,953	—	—	—	—
High/Higher	85,016	—	—	85,016	52,146	—	—	52,146
Monitored/Arrears	—	2,234	—	2,234	—	2,221	—	2,221
	88,969	2,234	—	91,203	52,146	2,221	—	54,367
Construction loans								
Normal/Moderate	4,953	—	—	4,953	—	—	—	—
High/Higher	901,571	7,050	—	908,621	967,595	—	—	967,595
Monitored/Arrears	—	12,564	—	12,564	—	5,967	—	5,967
Impaired/Default	—	—	42,295	42,295	—	—	72,206	72,206
	906,524	19,614	42,295	968,433	967,595	5,967	72,206	1,045,768
Commercial loans								
Multi family residential								
High/Higher	15,907	12,278	—	28,185	30,305	39,798	—	70,103
Monitored/Arrears	—	27,450	—	27,450	—	—	—	—
	15,907	39,728	—	55,635	30,305	39,798	—	70,103
Other								
Normal/Moderate	—	—	—	—	1,206	—	—	1,206
	—	—	—	—	1,206	—	—	1,206
	$2,143,290	**$ 272,840**	**$ 55,889**	**$2,472,019**	**$2,092,007**	**$ 244,072**	**$ 78,776**	**$2,414,855**

(Dollar amounts in thousands except for per share amounts)

(c) Mortgage allowances

Quarters Ended September 30	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages								
Insured								
Allowance, beginning of quarter	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total provision	—	—	—	—	—	—	—	—
Allowance, end of quarter	—	—	—	—	—	—	—	—
Uninsured								
Allowance, beginning of quarter	990	1,192	999	3,181	719	698	80	1,497
Transfer to stage 1 [3]	(425)	425	—	—	(358)	358	—	—
Transfer to stage 2 [3]	232	(450)	218	—	107	(190)	83	—
Transfer to stage 3 [3]	2	3	(5)	—	—	—	—	—
Net remeasurement of allowance [1]	93	225	374	692	63	78	122	263
Originations [4]	327	—	—	327	204	—	—	204
Mortgages derecognized or repaid [2]	(23)	(38)	(250)	(311)	(23)	(31)	(1)	(55)
Total provision	206	165	337	708	(7)	215	204	412
Allowance, end of quarter	1,196	1,357	1,336	3,889	712	913	284	1,909
Uninsured - completed inventory								
Allowance, beginning of quarter	372	14	—	386	29	21	—	50
Transfer to stage 1 [3]	—	—	—	—	(8)	8	—	—
Transfer to stage 2 [3]	—	—	—	—	3	(3)	—	—
Net remeasurement of allowance [1]	356	9	—	365	(9)	(16)	—	(25)
Originations [4]	—	—	—	—	61	—	—	61
Total provision	356	9	—	365	47	(11)	—	36
Allowance, end of quarter	728	23	—	751	76	10	—	86
Construction loans								
Allowance, beginning of quarter	4,114	40	2,901	7,055	4,247	177	—	4,424
Transfer to stage 1 [3]	(121)	121	—	—	(631)	631	—	—
Transfer to stage 2 [3]	128	(128)	—	—	515	(515)	—	—
Net remeasurement of allowance [1]	(403)	1	861	459	292	219	711	1,222
Originations [4]	249	—	—	249	310	—	—	310
Mortgages derecognized or repaid [2]	(543)	—	—	(543)	(466)	—	—	(466)
Total provision	(690)	(6)	861	165	20	335	711	1,066
Allowance, end of quarter	$ 3,424	$ 34	$ 3,762	$ 7,220	$ 4,267	$ 512	$ 711	$ 5,490

(Dollar amounts in thousands except for per share amounts)

Quarters Ended September 30	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Commercial loans								
Multi family residential								
Allowance, beginning of quarter	$ 51	$ 63	$ —	$ 114	$ 301	$ 83	$ —	$ 384
Net remeasurement of allowance [1]	(3)	47	—	44	(6)	(47)	—	(53)
Total provision (recovery)	(3)	47	—	44	(78)	(47)	—	(125)
Allowance, end of quarter	48	110	—	158	223	36	—	259
Other								
Allowance, beginning of quarter	—	—	—	—	6	—	1,220	1,226
Net remeasurement of allowance [1]	—	—	—	—	(3)	—	(995)	(998)
Total provision	—	—	—	—	(3)	—	(995)	(998)
Allowance, end of quarter	—	—	—	—	3	—	225	228
Total								
Allowance, beginning of quarter	5,527	1,309	3,900	10,736	5,302	979	1,300	7,581
Transfer to stage 1 [3]	(546)	546	—	—	(997)	997	—	—
Transfer to stage 2 [3]	360	(578)	218	—	625	(708)	83	—
Transfer to stage 3 [3]	2	3	(5)	—	—	—	—	—
Net remeasurement of allowance [1]	43	282	1,235	1,560	337	234	(162)	409
Originations [4]	576	—	—	576	575	—	—	575
Mortgages derecognized or repaid [2]	(566)	(38)	(250)	(854)	(561)	(31)	(1)	(593)
Total provision	(131)	215	1,198	1,282	(21)	492	(80)	391
Write-off (recovery)	—	—	—	—	—	—	—	—
Allowance, end of quarter	**$ 5,396**	**$ 1,524**	**$ 5,098**	**$ 12,018**	**$ 5,281**	**$ 1,471**	**$ 1,220**	**$ 7,972**

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

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

(Dollar amounts in thousands except for per share amounts)

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

At September 30, 2024	**Base**		**Favourable**		**Unfavourable**	
Macroeconomic variables	**Next 12 months [1]**	**2 to 5 years [1]**	**Next 12 months [1]**	**2 to 5 years [1]**	**Next 12 months [1]**	**2 to 5 years [1]**
Housing Price Index (annual change)						
Canada	1.73%	5.54%	10.08%	6.59%	(0.28)%	5.28%
Greater Toronto Area	2.12%	5.58%	10.49%	6.63%	(0.29)%	5.50%
Greater Vancouver Area	2.85%	5.43%	11.27%	6.48%	(0.28)%	5.39%
Gross domestic product (annual change)	1.74%	2.11%	2.74%	2.23%	0.74 %	1.98 %
Unemployment rate	6.80%	6.41%	6.30%	6.35%	7.30%	6.47%
Interest rates						
Prime rate	5.29%	4.48%	5.79%	4.54%	5.04%	4.44%

At December 31, 2023	**Base**		**Favourable**		**Unfavourable**	
Macroeconomic variables	**Next 12 months [1]**	**2 to 5 years [1]**	**Next 12 months [1]**	**2 to 5 years [1]**	**Next 12 months [1]**	**2 to 5 years [1]**
Housing Price Index (annual change)						
Canada	(1.90%)	4.14%	6.23%	5.18%	(3.85)%	3.89%
Greater Toronto Area	(3.10%)	3.94%	4.95%	4.82%	(4.12)%	3.89%
Greater Vancouver Area	(1.33%)	4.00%	6.83%	4.95%	(3.93)%	3.95%
Gross domestic product (annual change)	0.96%	2.26%	1.96%	2.39%	(0.04)%	2.14%
Unemployment rate	6.45%	6.46%	5.95%	6.36%	6.95%	6.55%
Interest rates						
Prime rate	6.61%	5.29%	7.11%	5.79%	6.36%	5.04%

At September 30, 2023	**Base**		**Favourable**		**Unfavourable**	
Macroeconomic variables	**Next 12 months [1]**	**2 to 5 years [1]**	**Next 12 months [1]**	**2 to 5 years [1]**	**Next 12 months [1]**	**2 to 5 years [1]**
Housing Price Index (annual change)						
Canada	2.39%	6.21%	9.70%	6.73%	(1.99)%	5.24%
Greater Toronto Area	0.99%	5.97%	10.10%	7.01%	(2.06)%	5.45%
Greater Vancouver Area	2.12%	5.94%	9.90%	6.87%	(2.02)%	5.34%
Gross domestic product (annual change)	0.71%	1.54%	1.71%	1.66%	(0.92)%	1.41%
Unemployment rate	6.09%	6.67%	5.59%	6.57%	7.09%	6.86%
Interest rates						
Prime rate	6.96%	5.25%	7.46%	5.75%	6.71%	5.00%

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

Historical regression methodology is used to relate ECL to key macroeconomic indicators including housing price indices, gross domestic product, unemployment rate and interest rates. Economic forecasts are determined based on a combination of external information and internal management judgements and estimates at the reporting date. 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. 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.

The base scenario represents management's best estimate using all available economic forecasts in light of the changing interest rate environment. It assumes the unemployment rate will increase before decreasing in the mid to long term. Gross domestic product will increase in the short term with a higher increase in the mid to long term. Housing prices are expected to increase slightly in key markets before increasing higher in the mid to long term. The favourable scenario assumes a larger increase in housing prices, lower unemployment in the short term, and a larger increase to gross domestic product compared to the base scenario. The unfavourable scenario assumes a more pronounced increase to the unemployment rate, a marginal decrease in housing prices and slower gross domestic product growth in the short term followed by a recovery in the mid to long term.

(Dollar amounts in thousands except for per share amounts)

Assuming a 100% base case economic forecast with the incorporation of the impact of the migration of mortgages between stages, with all other assumptions held constant, the ECL for corporate mortgages at September 30, 2024 would be approximately $11,981 (December 31, 2023 - $9,243) compared to the reported ECL for corporate mortgages of $12,018 (December 31, 2023 - $9,925).

Assuming a 100% unfavourable economic forecast with the incorporation of the impact of the migration of mortgages between stages, with all other assumptions held constant, the ECL for corporate mortgages at September 30, 2024 would be approximately $13,232 (December 31, 2023 - $10,947) compared to the reported ECL for corporate mortgages of $12,018 (December 31, 2023 - $9,925).

(d) Mortgage arrears

Mortgages past due but not impaired are as follows:

At September 30, 2024	1 to 30 days	31 to 60 days	61 to 90 days	Total
Residential mortgages				
Insured	$ 1,195	$ 271	$ —	$ 1,466
Uninsured	25,932	9,840	4,052	39,824
Uninsured - completed inventory	—	2,234	—	2,234
Construction loans	12,564	—	—	12,564
Commercial loans	27,450	—	—	27,450
	$ 67,141	**$ 12,345**	**$ 4,052**	**$ 83,538**
At December 31, 2023	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**Total**
Residential mortgages				
Insured	$ 214	$ —	$ —	$ 214
Uninsured	17,203	10,190	6,406	33,799
	$ 17,417	**$ 10,190**	**$ 6,406**	**$ 34,013**

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

At September 30, 2024	Residential Mortgages		Construction loans	Total
	Insured	Uninsured		
Ontario	$ 563	$ 12,710	$ 12,629	$ 25,902
Alberta	109	—	—	109
British Columbia	—	—	29,666	29,666
Atlantic Provinces	58	—	—	58
Other	154	—	—	154
	$ 884	**$ 12,710**	**$ 42,295**	**$ 55,889**

At December 31, 2023	Residential Mortgages		Construction Loans	Total
	Insured	Uninsured		
Ontario	$ —	$ 5,384	$ 14,315	$ 19,699
Alberta	311	138	—	449
British Columbia	—	449	57,891	58,340
Atlantic Provinces	137	—	—	137
Other	151	—	—	151
	$ 599	**$ 5,971**	**$ 72,206**	**$ 78,776**

At September 30, 2024, the total appraised value of the collateral related to the impaired construction loans was $115,000.

(Dollar amounts in thousands except for per share amounts)

(e) Geographic analysis

At September 30, 2024	Residential Mortgages	Construction Loans	Commercial Loans	Total	
Ontario	$ 1,212,268	$ 326,367	$ 50,641	$ 1,589,276	64.2 %
Alberta	92,937	84,247	—	177,184	7.2 %
British Columbia	113,408	557,819	—	671,227	27.2 %
Quebec	4,025	—	—	4,025	0.2 %
Atlantic Provinces	9,577	—	—	9,577	0.4 %
Other	15,736	—	4,994	20,730	0.8 %
	$ 1,447,951	**$ 968,433**	**$ 55,635**	**$ 2,472,019**	**100.0 %**

At December 31, 2023	Residential Mortgages	Construction Loans	Commercial Loans	Total	
Ontario	$ 1,090,528	$ 301,776	$ 66,337	$ 1,458,641	60.4 %
Alberta	79,928	116,888	—	196,816	8.2 %
British Columbia	104,821	627,104	—	731,925	30.3 %
Quebec	3,311	—	—	3,311	0.1 %
Atlantic Provinces	8,711	—	—	8,711	0.4 %
Other	10,479	—	4,972	15,451	0.6 %
	$ 1,297,778	**$ 1,045,768**	**$ 71,309**	**$ 2,414,855**	**100.0 %**

(f) Other information

Outstanding commitments for future fundings of mortgages are as follows:

At	September 30, 2024	December 31, 2023
Residential mortgages		
Insured	$ 96,103	$ 76,904
Uninsured	36,780	25,332
Uninsured - completed inventory	4,951	2,432
Construction loans	387,397	507,159
Commercial loans		
Other	—	203
	$ 525,231	**$ 612,030**

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

The fair value of the corporate mortgage portfolio at September 30, 2024 was $2,483,963 (December 31, 2023 - $2,416,197). Fair values are calculated on a discounted cash flow basis using the prevailing market rates for similar mortgages.

At September 30, 2024, insured residential mortgages included $126,350 (December 31, 2023 - $125,350) of mortgages that had been securitized through the market MBS program; however, the underlying MBS security has been retained by the Company for liquidity purposes.

(Dollar amounts in thousands except for per share amounts)

7. Non-Marketable Securities

At	September 30, 2024	December 31, 2023
KingSett High Yield Fund	$ 56,127	$ 54,548
KingSett Senior Mortgage Fund LP	16,917	16,307
Crown Realty V Limited Partnership	9,184	8,413
TAS LP 3	5,197	8,291
Fiera Real Estate Development Fund IV, LP	9,762	6,072
Broccolini Limited Partnership No. 8	4,534	4,534
TAS LP 3 Co-Invest LP	3,324	4,284
Harbour Equity JV Development Fund VI	4,000	3,000
Pearl Group Growth Fund LP	2,403	2,094
TAS Impact Development LP 4	2,400	2,400
	$ 113,848	**$ 109,943**

KingSett High Yield Fund (“KSHYF”): The Company holds an investment in the KSHYF representing a 5.9% equity interest (December 31, 2023 - 5.9%). The KSHYF invests in mortgages secured by real estate including mezzanine, subordinate and bridge mortgages. As mortgage advances are made by the KSHYF, the Company advances its proportionate share. The KSHYF pays a base distribution of 9% per annum, and distributes any additional income earned on a quarterly basis. At September 30, 2024, the Company’s total remaining commitment to the KSHYF was $31,411 (December 31, 2023 - $32,694), consisting of $2,567 available for capital advances for the KSHYF (December 31, 2023 - $3,850) and $28,844 that supports credit facilities throughout the life of the KSHYF (December 31, 2023 - $28,844).

KingSett Senior Mortgage Fund LP (“KSSMF”): The Company holds an investment in KSSMF representing a 2.1% partnership interest (December 31, 2023 - 2.1%). At September 30, 2024, the Company’s total remaining commitment is $8,300. The Company advances its proportionate share as KSSMF invests in a diversified portfolio of mortgage loans secured by Canadian residential and commercial real estate.

Crown Realty V Limited Partnership (“Crown”): The Company holds an investment in Crown representing a 7.7% partnership interest (December 31, 2023 - 7.7%). At September 30, 2024, the Company’s total remaining commitment is $9,393. The Company advances its proportionate share as Crown integrates environmental and social focused initiatives to acquire, lease, manage and reposition commercial real estate properties across Ontario.

TAS LP 3 (“TAS 3”): The Company holds an investment in TAS 3 representing a 9.7% partnership interest (December 31, 2023 - 9.7%). At September 30, 2024, the Company has a $3,000 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.

Fiera Real Estate Development Fund IV, LP (“Fiera”): The Company holds an investment in Fiera representing an 6.5% partnership interest (December 31, 2023 - 6.5%). At September 30, 2024, the Company’s total remaining commitment is $5,578. The Company advances its proportionate share as Fiera develops and re-develops multi-residential, industrial, office and retail properties, located in growing major Canadian urban markets.

Broccolini Limited Partnership No. 8 (“Broccolini”): The Company holds an investment in Broccolini representing a 5.7% partnership interest (December 31, 2023 - 5.7%). At September 30, 2024, the Company’s total remaining commitment is $17,600. The Company advances its proportionate share as Broccolini invests in ground up development of industrial, residential and mixed-use properties across Canada, with a focus on Ontario and Quebec.

TAS LP 3 Co-Invest LP (“TAS Co”): The Company holds an investment in TAS Co, in which it has a 34.8% partnership interest (December 31, 2023 - 34.8%). At September 30, 2024, the Company’s total remaining commitment is $1,076. The Company advances its proportionate share as TAS Co invests and it invests in some of the same properties as TAS 3 noted above.

Harbour Equity JV Development Fund VI (“Harbour”): The Company holds an investment in Harbour representing a 12.1% partnership interest (December 31, 2023 - 12.1%). At September 30, 2024, the Company’s total remaining commitment is $6,000. The Company advances its proportionate share as 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.

Pearl Group Growth Fund LP (“Pearl”): The Company holds an investment in Pearl, in which it has a 6.9% partnership interest (December 31, 2023 - 6.9%). At September 30, 2024, the Company’s total remaining commitment is $583. The Company advances its proportionate share as 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.

(Dollar amounts in thousands except for per share amounts)

TAS Impact Development LP 4 ("TAS 4"): The Company holds an investment in TAS 4 representing a 16.2% partnership interest (December 31, 2023 - 14.8%). At September 30, 2024, the Company's total remaining commitment is $17,600. The Company advances its proportionate share as 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.

For details of net gains and losses on non-marketable securities, refer to Note 15.

8. Equity Investment in MCAP Commercial LP

At September 30, 2024, the Company held a 13.88% equity interest in MCAP (December 31, 2023 - 13.73%), representing 4,000,000 units held by MCAN (December 31, 2023 - 4,000,000) of the 28,813,772 total outstanding MCAP partnership units (December 31, 2023 - 29,137,895).

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

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

For the Periods Ended September 30	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Balance, beginning of period	$ 118,477	$ 109,818	$ 111,367	$ 106,168
Equity income	6,667	4,310	21,576	17,581
Dilution gain	—	—	680	1,048
Distributions received	(5,439)	(3,906)	(13,918)	(14,575)
Balance, end of period	**$ 119,705**	**$ 110,222**	**$ 119,705**	**$ 110,222**

Selected MCAP financial information is as follows:

At	August 31 2024	November 30 2023
MCAP's balance sheet:		
Assets	$ 69,476,687	$ 62,259,444
Liabilities	68,636,557	61,453,571
Equity	840,130	805,873

For the Periods Ended August 31	Q3 2024	Q3 2023	YTD 2024	YTD 2023
MCAP's revenue and net income:				
Revenue	$ 326,874	$ 263,786	$ 881,083	$ 783,889
Net income	$ 48,020	$ 31,398	$ 156,714	$ 127,889

9. Securitization Activities

The Company is an NHA MBS issuer, which involves the securitization of insured mortgages to create and sell MBS through Canada Mortgage and Housing Corporation ("CMHC") market MBS and Canada Mortgage Bonds ("CMB") programs.

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

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

(Dollar amounts in thousands except for per share amounts)

During Q3 2024, MCAN securitized $220,345 of insured residential mortgages through the market MBS and CMB programs (Q3 2023 - $144,406).

Transferred financial assets that are not derecognized in their entirety

Since MCAN neither transfers nor retains substantially all of the risks and rewards of ownership on sale and retains significant continuing involvement through the provision of the Timely Payment obligation with respect to the majority of the market MBS program and residential mortgage CMB program sale transactions, MCAN continues to recognize the securitized mortgages (Note 10) and financial liabilities from securitization (Note 12) on its interim consolidated balance sheet.

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

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

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

	2025	2026	2028	2029	2030	2034	Total
At September 30, 2024	$ 14,012	$ 7,956	$ 82,152	$ 12,773	$ 31,604	$ 67,229	**$ 215,726**

10. Mortgages - Securitized

(a) Summary

	Gross Principal	Allowance Total	Net Principal
At September 30, 2024	**$ 2,289,587**	**$ —**	**$ 2,289,587**
At December 31, 2023	**$ 1,929,948**	**$ —**	**$ 1,929,948**

(b) Mortgages by Risk Rating

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

The table below shows the credit quality of the Company's securitized mortgage portfolio based on the Company's internal risk rating system and stage classification. The Company's policy that outlines whether ECLs are calculated on an impaired or performing basis is discussed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2023.

(Dollar amounts in thousands except for per share amounts)

At	September 30, 2024				December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Insured Performing	$2,144,526	$ 138,728	$ —	$2,283,254	$1,826,912	$ 98,375	$ —	$1,925,287
Monitored/Arrears	—	5,595	—	5,595	—	4,318	—	4,318
Impaired/Default	—	—	738	738	—	—	343	343
	$2,144,526	**$ 144,323**	**$ 738**	**$2,289,587**	**$1,826,912**	**$ 102,693**	**$ 343**	**$1,929,948**

(c) Mortgage allowances

The allowance for credit losses on the securitized portfolio at September 30, 2024 was $nil (December 31, 2023 - $nil). The provision for credit losses recorded during Q3 2024 was $nil (Q3 2023 - provision for credit losses of $nil).

(d) Mortgage arrears

Securitized mortgages past due but not impaired are as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	Total
At September 30, 2024	$ 4,514	$ 1,081	$ —	**$ 5,595**
At December 31, 2023	$ 3,904	$ 414	$ —	**$ 4,318**

Impaired securitized mortgages are as follows:

At	September 30, 2024	December 31, 2023
Ontario	$ 256	$ —
Alberta	343	343
Other	139	—
	$ 738	**$ 343**

(e) Geographic analysis

At	September 30, 2024		December 31, 2023	
Ontario	$ 1,912,152	83.5 %	$ 1,655,249	85.7 %
Alberta	230,835	10.1 %	164,398	8.5 %
British Columbia	70,088	3.1 %	62,971	3.3 %
Quebec	5,638	0.2 %	7,298	0.4 %
Atlantic Provinces	45,190	2.0 %	26,521	1.4 %
Other	25,684	1.1 %	13,511	0.7 %
	$ 2,289,587	**100.0 %**	**$ 1,929,948**	**100.0 %**

(f) Other information

Capitalized transaction costs are included in mortgages and are amortized using the EIM. At September 30, 2024, the unamortized capitalized transaction cost balance was $15,811 (December 31, 2023 - $11,563).

The fair value of the securitized mortgage portfolio at September 30, 2024 was $2,312,701 (December 31, 2023 - $1,891,654).

Other assets of $18,835 at September 30, 2024 (December 31, 2023 - $21,901) includes interest-only strips of $7,924 (December 31, 2023 - $12,500) from the Company's CMB insured multi family securitizations.

(Dollar amounts in thousands except for per share amounts)

11. Derivative Financial Instruments

Cash Flow Hedging Relationships

The Company 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. Realized gains or losses on these derivatives are reclassified from other comprehensive income ("OCI") to interest on financial liabilities from securitization and term deposit interest and expenses on the consolidated statements of income over the expected life of the underlying hedged item.

At September 30, 2024, the Company had $nil of derivative financial instruments outstanding relating to cash flow hedges (December 31, 2023 - $nil).

The following table provides a reconciliation of OCI related to cash flow hedges entered into during the year:

For the Periods Ended September 30	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Liabilities - Interest Rate Risk				
Accumulated OCI at the beginning of the period	$ (1,126)	$ 1,724	$ 98	$ (176)
OCI	(615)	558	(1,839)	2,458
Accumulated OCI at the End of the Period	$ (1,741)	$ 2,282	$ (1,741)	$ 2,282
OCI on designated hedges	$ (615)	$ 558	$ (1,839)	$ 2,458

The following table presents the effects of cash flow hedges entered into on the consolidated statements of income and the consolidated statements of comprehensive income:

For the Periods Ended September 30	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Liabilities - Interest Rate Risk				
Change in value of hedged item for ineffectiveness measurement	$ 716	$ (637)	$ 1,949	$ (2,488)
Change in value of hedging item for ineffectiveness measurement	(716)	637	(1,949)	2,488
Hedge Ineffectiveness	—	—	—	—
Hedging gains (losses) recognized in other comprehensive income	(716)	637	(1,949)	2,488
Amount reclassified from accumulated other comprehensive income to net income	101	(79)	110	(30)
Effect on OCI	$ (615)	$ 558	$ (1,839)	$ 2,458

Fair Value Hedging Relationships

The Company 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. The Company applies 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 $2,499 of unrealized gains on derivative financial instruments outstanding relating to fair value hedges (December 31, 2023 - $198 unrealized gains). The Company had fair value hedge costs of $89 in Q3 2024 and $1,325 year to date 2024 recorded in term deposit interest and expenses in the consolidated statements of income.

(Dollar amounts in thousands except for per share amounts)

The following table presents the effects of fair value hedges on the consolidated balance sheets and the consolidated statements of income:

For the Periods Ended September 30	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Liabilities - Interest Rate Risk				
Change in value of hedged item for ineffectiveness measurement	$ 2,233	$ —	$ 2,084	$ —
Change in value of hedging item for ineffectiveness measurement	2,608	—	2,301	—
Hedge Ineffectiveness	(375)	—	(217)	—
Carrying amounts for hedged items			$ 698,847	$ —
Accumulated amounts of fair value hedge adjustments on hedged items			$ 2,084	$ —

The following table presents outstanding derivative financial instruments designated in qualifying hedging relationships:

At September 30, 2024	Notional Amount	Average Rate on Interest Rate Swaps[1]	Derivative Asset	Derivative Liability	Net Fair Market Value
Interest Rate Risk - Fair Value Hedges					
Within 1 year	$ 688,614	4.48 %	$ 2,499	$ —	$ 2,499
Total Derivatives in Qualifying Hedging Relationships	$ 688,614	4.48 %	$ 2,499	$ —	$ 2,499

[1]Average rate on interest rate swaps represents the weighted average received fixed rate

The notional amount is not recorded as an asset or liability as it represents the face amount of the contract to which the rate or price is applied in order to calculate the amount of cash exchanged. Notional amounts do not represent the potential gain or loss associated with market risk and are not indicative of the credit risk associated with the derivatives.

Derivative-Related Risks

The potential for derivatives to increase or decrease in value as a result of changes in relevant factors, such as interest rate changes is referred to as market risk. Credit risk on derivatives, also known as counterparty credit risk, is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligation to the Company. The risks are actively monitored and managed by the Company.

12. Financial Liabilities from Securitization

Total financial liabilities from securitization mature as follows:

At	September 30, 2024	December 31, 2023
2024	$ 37,758	$ 144,546
2025	437,510	471,305
2026	690,672	728,243
2027	473,377	345,650
2028	244,865	227,139
2029	399,839	—
	$ 2,284,021	**$ 1,916,883**

(Dollar amounts in thousands except for per share amounts)

13. Share Capital

For the Periods Ended September 30	2024			2023		
	Number of Shares		Share Capital	Number of Shares		Share Capital
Balance, January 1	35,431,938	$	406,528	34,305,704	$	389,986
Issued						
Dividend reinvestment plan	811,284		12,544	708,844		10,474
ATM program	—		—	53,400		771
Overnight marketed offering	1,868,750		27,153	—		—
Executive share purchase plan	40,801		616	—		—
Balance, June 30	38,152,773		446,841	35,067,948		401,231
Issued						
Dividend reinvestment plan	127,429		2,235	263,990		3,984
ATM program	182,600		3,023	100,000		1,366
Balance, September 30	**38,462,802**	**$**	**452,099**	**35,431,938**	**$**	**406,581**

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

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

In Q1 2024, the Company closed an overnight marketed offering and issued 1,868,750 common shares at a price of $15.40 per common share for gross proceeds of $28,779 and $1,626 of share issuance costs.

In 2023, the Company renewed its (i) Base Shelf prospectus; and (ii) at-the-market equity program ("ATM Program") established pursuant to a Prospectus Supplement to its Base Shelf prospectus allowing the Company to issue up to $30,000 common shares to the public from time to time over a 2 year period at the market prices prevailing at the time of sale. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion. During Q3 2024, the Company sold 182,600 common shares at a weighted average price of $17.75 for gross proceeds of $3,243 and net proceeds of $3,023 including $65 of agent commission paid and $155 of other share issuance costs under the ATM Program.

The Company had no potentially dilutive instruments at September 30, 2024 or December 31, 2023.

14. Dividends

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

15. Net Gain (Loss) on Securities

For the Periods Ended September 30		Q3 2024		Q3 2023		YTD 2024		YTD 2023
Net unrealized gain (loss) on marketable securities		9,570		(3,643)		8,552		(7,661)
Net unrealized gain (loss) on non-marketable securities		(3,899)		2,062		(3,569)		2,062
	$	**5,671**	**$**	**(1,581)**	**$**	**4,983**	**$**	**(5,599)**

16. Mortgage Expenses

Corporate assets

For the Periods Ended September 30		Q3 2024		Q3 2023		YTD 2024		YTD 2023
Mortgage servicing expense	$	1,622	$	1,541	$	4,905	$	4,233
Letter of credit expense		162		79		534		567
Other mortgage expenses		222		174		715		592
	$	**2,006**	**$**	**1,794**	**$**	**6,154**	**$**	**5,392**

(Dollar amounts in thousands except for per share amounts)

Letter of credit expense relates to outstanding letters of credit under the Company's credit facility, discussed in Note 19.

Securitization assets

Mortgage expenses associated with securitization assets for Q3 2024 of $1,502 (Q3 2023 - $1,152) and year to date 2024 of $4,218 (year to date 2023 - $3,329) consist primarily of mortgage servicing expenses.

17. Provision for (Recovery of) Credit Losses

For the Periods Ended September 30	Note	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Corporate portfolio:					
Stage 1 - provisions for (recoveries of) performing mortgages	6	$ (131)	$ (21)	$ (1,238)	$ 708
Stage 2 - provisions for (recoveries of) performing mortgages	6	215	492	205	495
Stage 3 - provisions for (recoveries of) impaired mortgages	6	1,198	(80)	3,107	1,171
		1,282	391	2,074	2,374
Other provisions (recoveries), net		20	8	24	6
Provision for credit losses		**1,302**	**399**	**2,098**	**2,380**
Securitized portfolio:					
Stage 1 - provisions for (recoveries of) performing mortgages	10	—	—	—	—
Provision for credit losses		**$ —**	**$ —**	**$ —**	**$ —**

18. Related Party Disclosures

Transactions with MCAP

In Q3 2024, the Company entered into related party transactions with MCAP as follows:

- Purchase of mortgage origination and administration services of $2,056 (Q3 2023 - $1,815)
- Purchase of uninsured residential mortgages of $4,258 (Q3 2023 - $4,097)
- The Company has an agreement with MCAP Securities Limited Partnership, a wholly owned subsidiary of MCAP, whereby the Company can sell to MCAP Securities Limited Partnership insured residential mortgage commitments. The Company sold commitments of $367 (Q3 2023 - $3,081) under this agreement and received revenue of $5 (Q3 2023 - $31) recorded in interest on cash and other income on the consolidated statements of income.

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

Share Unit Plans

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

For the Periods Ended September 30	Q3 2024		Q3 2023		YTD 2024		YTD 2023	
	RSU	PSU	RSU	PSU	RSU	PSU	RSU	PSU
Share units outstanding, beginning of period	126,165	191,536	110,199	137,416	119,371	140,876	104,994	100,340
New share units granted	1,674	1,116	—	—	46,103	90,361	43,460	55,693
Share units issued as dividends	2,817	4,258	2,774	3,460	11,145	15,286	11,017	12,519
Share units vested	—	—	—	—	(31,971)	(32,458)	(45,776)	(26,954)
Share units forfeited	(1,126)	(1,126)	—	—	(15,118)	(18,281)	(722)	(722)
Share units outstanding, end of period	**129,530**	**195,784**	**112,973**	**140,876**	**129,530**	**195,784**	**112,973**	**140,876**
Compensation expense for the period	$ 276	$ 622	$ 142	$ 280	$ 496	$ 990	$ 558	$ 697
Outstanding liability, end of period					$ 954	$ 1,822	$ 748	$ 1,285

Of the total outstanding PSU share units at Q3 2024 and Q3 2023, the Company has recorded a liability on all of these units.

Executive Share Purchase Plan

At September 30, 2024, $1,421 of loans were outstanding under the Executive Share Purchase Plan (the "Share Purchase Plan") (December 31, 2023 - $1,852). The shares are pledged as security for the loans and had a fair value of $2,104 at September 30, 2024 (December 31, 2023 - $2,405). In Q3 2024, MCAN recognized $30 of interest income (Q3 2023 - $40) on the Share Purchase Plan loans.

Employee Share Ownership Plan

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

19. Credit Facilities

The Company has a secured demand revolver facility from a Canadian Schedule I Chartered bank bearing interest at prime plus 0.25% (December 31, 2023 - prime plus 0.25%), with a facility limit of $220,000 (December 31, 2023 - $220,000). The facility is due and payable upon demand. At September 30, 2024, the outstanding loan principal payable was $nil (December 31, 2023 - $nil).

Under the facility, there is a sublimit for issued letters of credit. Letters of credit have a term of up to one year from the date of issuance, plus a renewal clause providing for an automatic one-year extension at the maturity date subject to the bank's option to cancel by written notice at least 30 days prior to the letters of credit expiry date. The letters of credit are for the purpose of supporting developer obligations to municipalities in conjunction with residential construction loans. If the developer defaults in its obligation to the municipalities, the municipalities may draw on the letters of credit, in which case the Company is obligated to fund the letters of credit. At September 30, 2024, there were letters of credit in the amount of $40,657 issued (December 31, 2023 - $48,637) and additional letters of credit in the amount of $20,898 committed but not issued (December 31, 2023 - $25,722).

The Company has an agreement with a Canadian Schedule I Chartered bank that enables the Company to execute repurchase agreements for liquidity purposes. This facility allows the Company to encumber certain eligible securities for financing purposes. As part of the agreement, the Company may sell assets to the counterparty at a specified price with an agreement to repurchase at a specified future date. The interest rate on the borrowings is driven by market spot rates at the time of borrowing. At September 30, 2024, the outstanding facility balance was $nil (December 31, 2023 - $nil).

The Company has a demand loan credit agreement with a Canadian Schedule I Chartered bank for a $100,000 senior secured mortgage warehouse facility (December 31, 2023 - $100,000) at either prime plus 0.05% or bankers' acceptance rate plus 1.05%. The facility is used to fund insured residential mortgages prior to securitization activities. At September 30, 2024, the outstanding loan principal payable was $nil (December 31, 2023 - $64,280).

20. Capital Management

The Company's primary capital management objectives are to maintain sufficient capital for regulatory purposes and to earn acceptable and sustainable risk-weighted returns. Through the Company's risk management and corporate governance framework, assessments of current and projected asset growth, economic conditions, housing market activity, the interest rate environment and changes to credit quality are made to determine appropriate levels of capital. The Company expects 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.

For further information, refer to the "Capital Management" section of the MD&A.

Regulatory capital

As a Loan Company under the Trust Act, OSFI oversees the adequacy of the Company's capital. For this purpose, OSFI has imposed minimum capital to risk-weighted asset ratios and a minimum leverage ratio. OSFI expects all federally regulated financial institutions to meet the minimum capital to risk-weighted asset ratios of 7% common equity tier 1 capital, 8.5% tier 1 capital and 10.5% total capital.

(Dollar amounts in thousands except for per share amounts)

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

At	September 30, 2024	December 31, 2023
Regulatory ratios (OSFI)		
Share capital	$ 452,099	$ 406,528
Contributed surplus	510	510
Retained earnings	150,972	124,708
Accumulated other comprehensive income	(1,741)	98
Deduction for equity investment in MCAP [1]	(59,521)	(58,183)
Common Equity Tier 1 and Tier 1 Capital (A)	**542,319**	**473,661**
Tier 2 Capital	6,920	7,953
Total Capital	**$ 549,239**	**$ 481,614**
Total exposures/Regulatory assets		
Consolidated assets	$ 5,213,284	$ 4,739,087
Less: deduction for equity investment in MCAP [1]	(59,521)	(58,183)
Other adjustments [2]	3,037	1,900
Total on-balance sheet exposures	**5,156,800**	**4,682,804**
Mortgage and investment funding commitments	622,772	716,638
Less: conversion to credit equivalent amount	(373,663)	(429,983)
Letters of credit	40,657	48,637
Less: conversion to credit equivalent amount	(20,329)	(24,319)
Off-balance sheet items	**269,437**	**310,973**
Total exposures/Regulatory assets (B)	**$ 5,426,237**	**$ 4,993,777**
Leverage ratio (A / B)	**9.99%**	**9.49%**

[1] The deduction for the equity investment in MCAP is equal to the equity investment balance less 10% of shareholders' equity and eligible stage 1 and stage 2 allowances.
[2] Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.

Income tax capital

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

Other Capital Management Activity

In conjunction with the annual strategic planning and budgeting process, the Company completes an Internal Capital Adequacy Assessment Process ("ICAAP") in order to ensure that it has sufficient capital to support its business plan and risk appetite. The ICAAP assesses the capital necessary to support the various inherent risks that the Company faces, including liquidity and funding, credit, interest rate, market, operational, regulatory compliance, strategic and reputational risks. The Company's business plan is also stress-tested under various adverse scenarios to determine the impact on 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 its internal forecasts for capital adequacy on a quarterly basis, and the results of such testing are reported to the Board.

(Dollar amounts in thousands except for per share amounts)

21. Financial Instruments

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

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

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

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

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

At September 30, 2024	Level 1	Level 2	Level 3	Total	Carrying Value
Assets measured at FVPL					
Marketable securities	$ 59,081	$ —	$ —	$ 59,081	$ 59,081
Derivative financial instruments [10]	—	2,500	—	2,500	2,500
Non-marketable securities - KSHYF [1]	—	—	56,127	56,127	56,127
Non-marketable securities - TAS 3 [9]	—	—	5,197	5,197	5,197
Non-marketable securities - KSSMF [1]	—	—	16,917	16,917	16,917
Non-marketable securities - TAS Co [9]	—	—	3,324	3,324	3,324
Non-marketable securities - Crown [9]	—	—	9,184	9,184	9,184
Non-marketable securities - Pearl [9]	—	—	2,403	2,403	2,403
Non-marketable securities - TAS 4 [8]	—	—	2,400	2,400	2,400
Non-marketable securities - Broccolini [9]	—	—	4,534	4,534	4,534
Non-marketable securities - Fiera [8]	—	—	9,762	9,762	9,762
Non-marketable securities - Harbour [8]	—	—	4,000	4,000	4,000
	$ 59,081	**$ 2,500**	**$ 113,848**	**$ 175,429**	**$ 175,429**
Assets measured at amortized cost for which fair values are disclosed					
Cash and cash equivalents	$ 86,706	$ —	$ —	$ 86,706	$ 86,706
Mortgages - corporate [3]	—	—	2,483,963	2,483,963	2,472,019
Other assets - other loans [4]	—	—	2,376	2,376	2,376
Securitization program cash held in trust	24,868	—	—	24,868	24,868
Mortgages - securitized [3]	—	—	2,312,701	2,312,701	2,289,587
	$ 111,574	**$ —**	**$ 4,799,040**	**$ 4,910,614**	**$ 4,875,556**
Liabilities measured at amortized cost for which fair values are disclosed					
Term deposits [6]	$ —	$ —	$ 2,365,174	$ 2,365,174	$ 2,308,045
Demand loans payable [5]	—	—	69	69	69
Other liabilities - corporate [5]	—	—	18,939	18,939	18,939
Financial liabilities from securitization [7]	—	—	2,270,458	2,270,458	2,284,021
	$ —	**$ —**	**$ 4,654,640**	**$ 4,654,640**	**$ 4,611,074**

(Dollar amounts in thousands except for per share amounts)

At December 31, 2023	Level 1	Level 2	Level 3	Total	Carrying Value
Assets measured at FVPL					
Marketable securities	$ 50,320	$ —	$ —	$ 50,320	$ 50,320
Derivative financial instruments [2]	—	198	—	$ 198	198
Non-marketable securities - KSHYF [1]	—	—	54,548	54,548	54,548
Non-marketable securities - TAS 3 [9]	—	—	8,291	8,291	8,291
Non-marketable securities - KSSMF [1]	—	—	16,307	16,307	16,307
Non-marketable securities - TAS Co [9]	—	—	4,284	4,284	4,284
Non-marketable securities - Crown [9]	—	—	8,413	8,413	8,413
Non-marketable securities - Pearl [9]	—	—	2,094	2,094	2,094
Non-marketable securities - TAS 4 [8]	—	—	2,400	2,400	2,400
Non-marketable securities - Broccolini [9]	—	—	4,534	4,534	4,534
Non-marketable securities - Fiera [8]	—	—	6,072	6,072	6,072
Non-marketable securities - Harbour [8]	—	—	3,000	3,000	3,000
	$ 50,320	**$ 198**	**$ 109,943**	**$ 160,461**	**$ 160,461**
Assets measured at amortized cost for which fair values are disclosed					
Cash and cash equivalents	$ 60,345	$ —	$ —	$ 60,345	$ 60,345
Mortgages - corporate [3]	—	—	2,416,197	2,416,197	2,414,855
Other assets - other loans [4]	—	—	2,256	2,256	2,256
Securitization program cash held in trust	30,909	—	—	30,909	30,909
Mortgages - securitized [3]	—	—	1,891,654	1,891,654	1,929,948
	$ 91,254	**$ —**	**$ 4,310,107**	**$ 4,401,361**	**$ 4,438,313**
Liabilities measured at amortized cost for which fair values are disclosed					
Term deposits [6]	$ —	$ —	$ 2,213,220	$ 2,213,220	$ 2,200,102
Demand loan payable [6]	—	—	64,683	64,683	64,683
Other liabilities - corporate [5]	—	—	25,575	25,575	25,575
Financial liabilities from securitization [7]	—	—	1,854,850	1,854,850	1,916,883
	$ —	**$ —**	**$ 4,158,328**	**$ 4,158,328**	**$ 4,207,243**

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

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

For the Periods Ended September 30	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Balance, beginning of period	$ 116,485	$ 107,176	$ 109,943	$ 97,228
Advances / Purchases	1,262	2,352	7,474	13,322
Repayments / Dispositions	—	—	—	(1,022)
Changes in fair value, recognized in net income	(3,899)	2,062	(3,569)	2,062
Balance, end of period	**$ 113,848**	**$ 111,590**	**$ 113,848**	**$ 111,590**

Risk management

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

22. Commitments and Contingencies

For the nature of the Company's commitments and contingencies, please refer to the shaded sections of the "Off-Balance Sheet Arrangements" section of the MD&A. The shaded section of the MD&A relating to off-balance sheet arrangements forms an integral part of these interim consolidated financial statements.

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

Bonnie Agostinho
Corporate Director, MCAN
Member of Audit Committee
Member of Enterprise Risk Management and Compliance Committee
Chair of Information Technology Governance Committee
Director since May 2022

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

John Coke
Corporate Director, MCAN
Chair of Audit Committee
Member of Conduct Review, Corporate Governance and Human Resources Committee
Director since May 2021

Donald Coulter
President and Chief Executive Officer, MCAN
Member of Information Technology Governance Committee
Director since December 2023

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

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

Karen Martin
Corporate Director, MCAN
Member of Audit Committee
Member of Enterprise Risk Management and Compliance Committee
Member of Information Technology Governance Committee
Director since May 2024

Gaelen Morphet
President, Morphet Family Wealth Advisors Inc.
Member of Conduct Review, Corporate Governance and Human Resources Committee
Member of Enterprise Risk Management and Compliance Committee
Director since January 2018

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

EXECUTIVE OFFICERS

Donald Coulter
President and Chief Executive Officer

Santokh Birk
Senior Vice President and Chief Financial Officer

Avish Buck
Senior Vice President and Chief Operating Officer

Carl Brown
Senior Vice President, Investments & Corporate Development

Aaron Corr
Vice President and Chief Risk Officer

Michelle Liotta
Vice President, Human Resources

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

Sylvia Pinto
Vice President, Corporate Secretary & Governance Officer

Paul Gill
Vice President, Information Technology

Susan Han
Vice President and Chief Audit Executive

Alysha Rahim
Vice President, Finance

Justin Silva
Vice President, Treasurer

Peter Ryan
Vice President, Controller

CORPORATE INFORMATION

Head Office
200 King Street West, Suite 700
Toronto, Ontario M5H 3T4
Tel: 416-572-4880
Tel: 1-855-213-6226 (toll free)
Fax: 416-598-4142
mcanexecutive@mcanfinancial.com

Term Deposits
Tel: 1-800-387-9096 (toll free)
Fax: 1-877-821-0710
termdeposits@mcanfinancial.com

Stock Listing
Toronto Stock Exchange
Symbol: MKP

Registrar and Transfer Agent
Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Tel: 1-800-564-6253

Website
www.mcanfinancial.com

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

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

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

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

Report Copies
This MCAN Mortgage Corporation d/b/a MCAN Financial Group 2024 Third Quarter Report is available for viewing/printing on our website at www.mcanfinancial.com, and also on SEDAR+ at www.sedarplus.ca.

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

MCAN Financial Group
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