MCAN Financial



MCAN FINANCIAL GROUP

QUARTERLY REPORT Q1 2023

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.

D iversity and inclusion powering our ONE team mindset.

R isk managers are in all of us.

I nnovate, lean in to optimize and grow our business together.

V aluing a respectful, collaborative and relationship-focused team.

E mpowered to act like an owner, think like a customer.



OUR EMBEDDED CULTURE



TABLE OF CONTENTS

MESSAGE TO SHAREHOLDERS 5
OUR BUSINESS AND STRATEGY 7
MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS 14
INTERIM CONSOLIDATED FINANCIAL STATEMENTS 55
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS 59
DIRECTORS AND EXECUTIVE OFFICERS 83
CORPORATE INFORMATION 84

MESSAGE TO SHAREHOLDERS

Long-term sustainable growth and attractive returns is the strategy that we pursue at MCAN. We continued in the quarter to deliver on this strategy of business growth and expansion that supports high quality earnings. Our business has always been conducted based on our prudent lending and investing principles with low-cost funding. While the economy continues to change and provide uncertainty, I am proud to say that our entire team has contributed to successfully protecting our bottom line while growing our business and improving all aspects of our operations.

The first quarter of 2023 saw a pause in interest rate hikes by the Bank of Canada, yet we continued to face uncertainty in the economy, the housing market, inflation and even stability in the global financial system with recent U.S. bank failures. We entered 2023 with some amount of caution regarding some of these economic challenges and will continue to adjust our business each time changes unfold like we have done in the past. In this higher interest rate environment, our business has various levers and qualities that are positive for managing net mortgage interest including the primarily one year term of our uninsured residential mortgages, the floating rates on our construction portfolio and the duration changes in our term deposit funding strategy.

We provide our shareholders with a unique opportunity to invest in various channels of the Canadian real estate landscape. We originate residential mortgages, finance residential construction projects in urban markets, hold and actively manage 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 our MCAP Commercial LP ownership interest of approximately 14%. Collectively, this diversified pool of quality investments is not available to typical shareholders and provides a curated portfolio for participation in the residential real estate market in Canada. We believe in the resiliency of our portfolios through various economic cycles and, therefore, our financial performance over the long term. Our targeted annual growth in corporate assets over the long term continues to be 10%.

Q1 2023 Review

Our Q1 2023 results were very strong fueled by our core lending business. I'm proud to say that this was accomplished all while closely navigating and monitoring market conditions, credit quality and other factors that could impact our business, given all of the economic uncertainties.

We deployed our recently raised capital from our oversubscribed rights offering in December of last year which has helped us to grow our assets. We recorded an 18.60% return on average shareholders' equity[1] for the quarter. We have achieved growth in both our residential mortgage portfolio and our construction and commercial lending portfolio, without sacrificing our net mortgage interest. Our results in this challenging environment highlights our abilities and team strength supported by outstanding service to our brokers, originators, and customers.

Corporate assets (which excludes our securitization portfolios) totalled $2.4 billion and increased 4% during the quarter, with our corporate mortgage portfolio increasing 5% to $2.0 billion.

Although residential mortgage originations were down from 2022 levels, our residential mortgage portfolio grew by 6% since the beginning of the year. Lower originations are partly due to our strategy of focusing on net interest margins over origination growth as well as the slowdown in the housing market. We saw our spreads increase in the first quarter of 2023 compared to the first quarter of 2022 as a result of our efforts to focus on net interest margin. We also saw a significant increase in mortgage renewals as we worked with our borrowers to ease the impact on them from the current interest rate environment and mortgage stress tests.

We continued to focus on growing our residential construction investment portfolio in selected markets, with our preferred borrowers and risk profile as they tend to provide comparatively higher yields over our uninsured residential mortgage portfolio. Our construction and commercial portfolio grew 4% over the quarter to a record $963 million. This portfolio benefits from the higher 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. Our lending and underwriting criteria for investing capital continues to generate a strong loan book. We also have strong strategic partnerships with originators for investing in loans and expect to maintain the quality of our investments in this growing portfolio. We continue to increase our portfolio in and around the urban markets of the Greater Vancouver area, the Greater Toronto area and to a lesser degree, Calgary, and Edmonton. These markets have strong demand for more entry level homes due to household formation driven by population dynamics and immigration.

Our marketable securities, comprised of publicly traded REITs, had unrealized fair value gains for the quarter given more favorable economic forecasts and a pause on further interest rate increases by the Bank of Canada. We also continued to realize the benefits of solid cash flows and distributions from these investments with a quarter to date distribution yield[1] of 6.50% on this portfolio. We hold these investments for the long term, for both current return and capital appreciation.

Our equity investment in MCAP increased as a result of its strong earnings and growth less our distributions in 2023. MCAP 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 continue to invest in our 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.

As always, we invest in our most important asset – our team! We believe that our strong team culture enhances our ability to effectively tackle change and opportunity in our business. As three measures of the success of our journey, we were proud to be included in the 2023 Best Workplaces™ in Canada, the 2023 Women Lead Here list by Report on Business, and to be recognized as a 2023 Mortgage Employer of the Year by Canadian Mortgage Professional – with awards for compensation, sustainable programs, and diversity, equity, and inclusion. We have recently put into place a program that highlights our hybrid work culture with a focus on enhancing our team around our culture of wellness, inclusivity, flexibility, and collaboration. These are important elements for our team and we believe they generate strong engagement, quality execution and service to our customers in addition to a high quality work life for the team.

Overall, I am very pleased with our 2023 results so far and our team performance. We will continue to be vigilant and adjust our business activities in the context of the market. Looking forward into the remainder of the year, we are focused on continued growth and profitability of our business to drive value for all our stakeholders.

Recently, I announced my future retirement from MCAN. It has been an honour to lead and be a part of the MCAN team. I am proud of all that we have accomplished over the last four years and I believe we have built a foundation and a blueprint for the future. The Board of Directors is conducting a search for the next CEO. With the foundation we have built, we are poised to continue our strategic and profitable growth with our experienced leadership team, focused portfolio, dedication to customer service and a strong balance sheet. We look to continue to improve our market position and invest in communities and homes for Canadians.



Karen Weaver
President and CEO

[1] *Considered to be a non-GAAP and other financial measure and incorporated by reference and defined in the "Non-GAAP and Other Financial Measures" section of our 2023 MD&A available below or on SEDAR at www.sedar.com. 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 (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 Mortgage Investment Corporation ("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 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 focuses on unique financing and investment opportunities in the construction and commercial loan markets, REITs, and private investment funds focused on lending to and developing Canadian communities. We also have an almost 14% equity interest in MCAP, Canada's largest privately-owned mortgage financing company.

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

Business Model



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

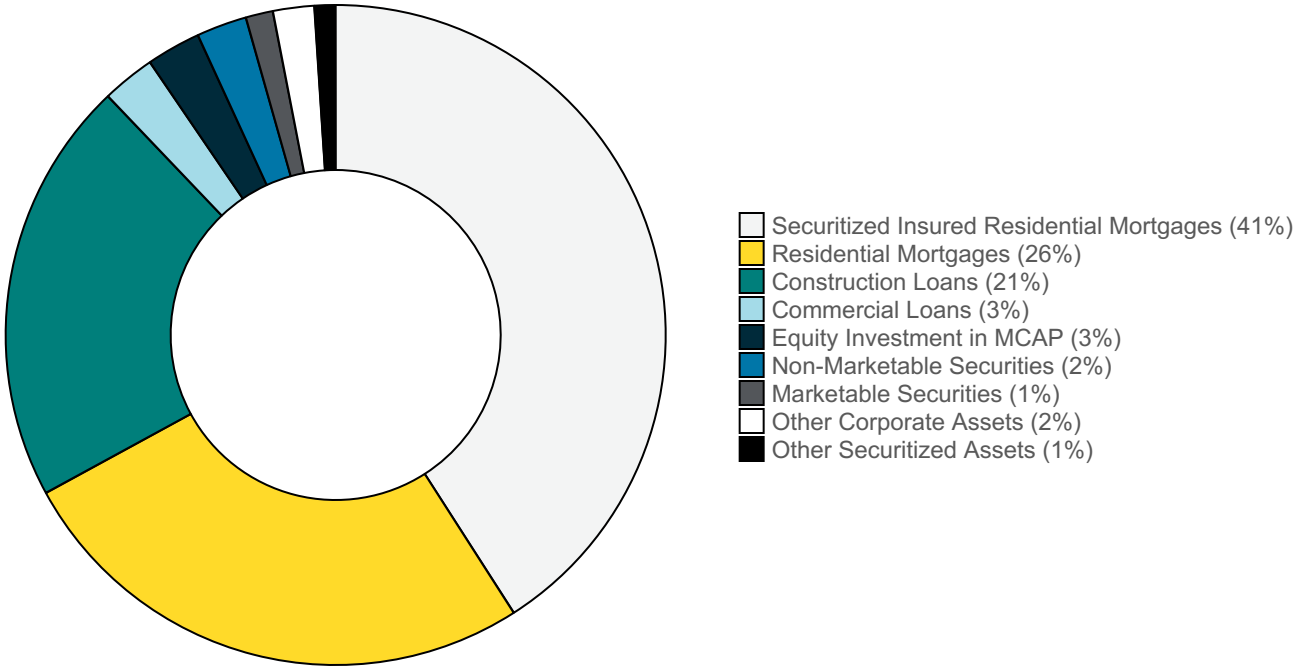
Our business model helps us to achieve our long-term objectives:

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

Our Investment Portfolio

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

Total Assets at March 31, 2023 of $4.2 billion



Residential Mortgage Lending (March 31, 2023 - $2.8 billion; December 31, 2022 - $2.8 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 residential mortgage commitments, depending on market conditions.

Construction Lending (March 31, 2023 - $856 million; December 31, 2022 - $825 million)

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

Commercial Lending (March 31, 2023 - $107 million; December 31, 2022 - $105 million)

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

Investment in MCAP (March 31, 2023 - $109 million; December 31, 2022 - $106 million)

We have an approximate 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 (March 31, 2023 - $102 million; December 31, 2022 - $97 million)

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

Marketable Securities (March 31, 2023 - $55 million; December 31, 2022 - $54 million)

We have a diversified and expertly managed REIT portfolio held for investment income and capital appreciation. We leverage our real estate investment expertise to actively manage this portfolio, with periodic recycling of capital. Our REIT investment 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.

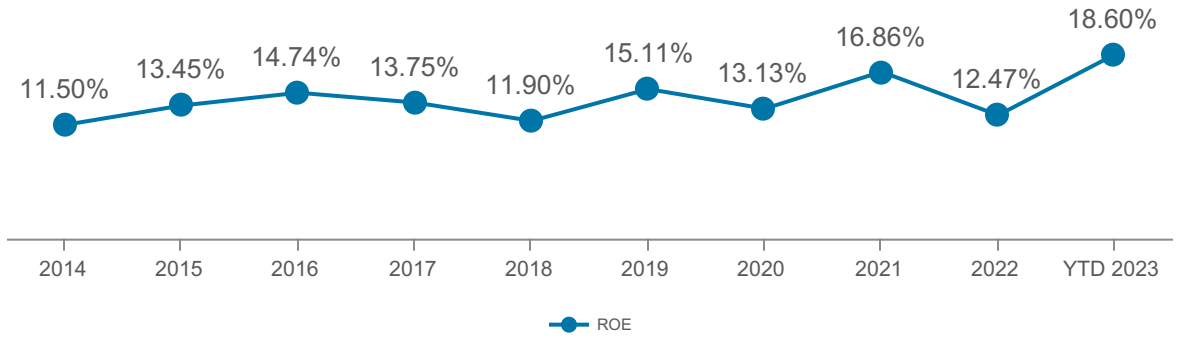
Our Loan Portfolio Quality

We believe we have a quality loan portfolio, with minimal mortgages in arrears. The majority of residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. We closely monitor and actively manage these arrears. We have historically had low arrears related to our construction and commercial loan portfolios due to our prudent and selective lending methodology and our default management processes in these product types. We have a strong track record with our asset recovery programs should the need arise. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

Our Shareholder Returns

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

Historical ROE[1]



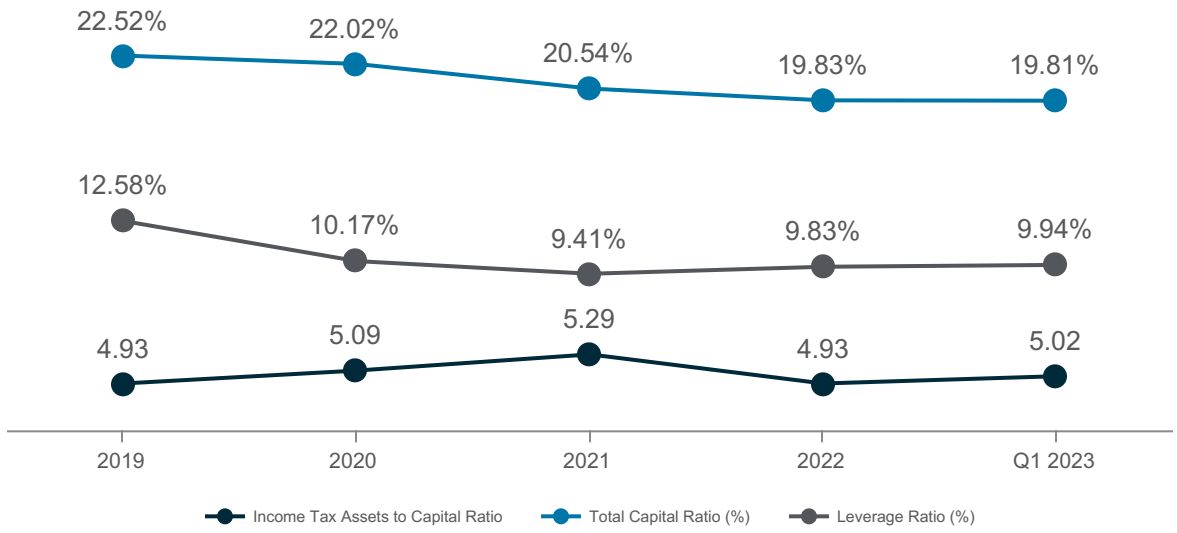
Our long-term objective is sustained 13% to 15% average ROE. The nature of our investing activities may result in fluctuations in our ROE year to year. ROE for year to date 2023 was positively impacted by growth in our core mortgage and lending business in a higher interest rate environment as well as unrealized fair value gains on our REIT portfolio compared to unrealized fair value losses in 2022. In the last 10 years, we have delivered an average ROE[1] of almost 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 2023 MD&A available below or on SEDAR at www.sedar.com. 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 place ourselves well for future growth and returns.

Historical Capital Ratios

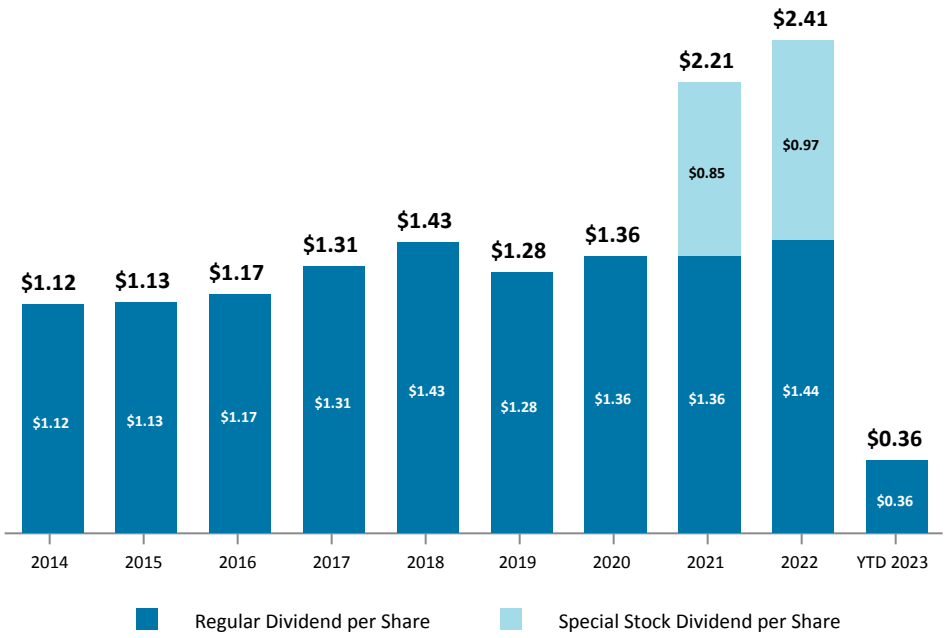


Our capital ratios have adjusted over the years as we have optimized our balance sheet, growing our assets utilizing excess capital room. Capital maintenance this quarter has come from our dividend reinvestment program and we had some growth due to our at-the-market equity raising program. Further growth in our capital will be dependent on better equity market conditions or shareholder appetite. All of our capital 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 second quarter regular cash dividend of $0.36 per share to be paid June 30, 2023 to shareholders of record on June 15, 2023. At this time, we expect our regular cash dividends for 2023 will be approximately equal to our taxable income, and therefore we do not expect to distribute a special stock dividend in 2024 relating to 2023 taxable income.

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 r**esponsible 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, 2022, available on SEDAR at www.sedar.com.

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 ended March 31, 2023 and the audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2022. These items and additional information regarding MCAN, including continuous disclosure materials such as the Annual Information Form are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and our website at www.mcanfinancial.com. Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2022 remain substantially unchanged. Information has been presented as of May 8, 2023.

TABLE OF CONTENTS - MD&A

A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS 15
SELECTED FINANCIAL INFORMATION 16
BUSINESS OVERVIEW AND OUTLOOK 19
HIGHLIGHTS 22
RESULTS OF OPERATIONS 25
FINANCIAL POSITION 33
CAPITAL MANAGEMENT 43
RISK MANAGEMENT 46
DESCRIPTION OF CAPITAL STRUCTURE 50
OFF-BALANCE SHEET ARRANGEMENTS 50
DIVIDENDS 51
TRANSACTIONS WITH RELATED PARTIES 51
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS 51
PEOPLE 52
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS 52
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING 52
NON-GAAP AND OTHER FINANCIAL MEASURES 52
GLOSSARY 54

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;
- the impact of global health pandemics on the Canadian economy and globally;
- 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 conflicts such as the Russia/Ukraine conflict, failures of international financial institutions, and post-pandemic government and Bank of Canada actions taken, 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 impact any further pandemics, variants or outbreaks, including measures to prevent their spread and related government actions adopted in response thereto, 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, 2022, this MD&A and our other public filings with the applicable Canadian regulatory authorities.

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

SELECTED FINANCIAL INFORMATION

Table 1: Financial Statement Highlights - Q1 2023

(in thousands except for per share amounts and %)					
For the Periods Ended	**Q1 2023**	**Q4 2022**	**Change (%)**	**Q1 2022**	**Change (%)**
Income Statement Highlights					
Mortgage interest - corporate assets [A]	$ 35,756	$ 30,747	16%	$ 20,508	74%
Term deposit interest and expenses [B]	$ 14,741	$ 13,189	12%	$ 8,518	73%
Net corporate mortgage spread income[1] [A-B]	$ 21,015	$ 17,558	20%	$ 11,990	75%
Equity income from MCAP Commercial LP	$ 8,003	$ 6,860	17%	$ 5,219	53%
Net gain on securities	$ 999	$ 1,735	(42%)	$ 1,189	(16%)
Net investment income - corporate assets	$ 30,622	$ 30,734	—%	$ 20,758	48%
Net investment income - securitization assets	$ 872	$ 838	4%	$ 1,115	(22%)
Net income	$ 23,277	$ 24,088	(3%)	$ 15,479	50%
Basic and diluted earnings per share	$ 0.67	$ 0.75	(11%)	$ 0.52	29%
Dividends per share - cash	$ 0.36	$ 0.36	—%	$ 0.36	—%
Dividends per share - stock	$ —	$ —	n/a	$ 0.97	(100%)
Next quarter's dividend per share - cash	$ 0.36				
Return on average shareholders' equity [1]	18.60 %	21.17 %	(2.57%)	14.19 %	4.41%
Taxable income per share [2]	$ 0.33	$ 1.11	(70%)	$ 0.35	(6%)
Yields					
Spread of corporate mortgages over term deposit interest and expenses [1]	3.78 %	3.32 %	0.46%	2.59 %	1.19%
Spread of securitized mortgages over liabilities [1]	0.39 %	0.39 %	—%	0.54 %	(0.15%)
Average term to maturity (in months)					
Mortgages - corporate	11.5	11.4	1%	13.8	(17%)
Term deposits	14.9	16.0	(7%)	17.7	(16%)
At	**March 31 2023**	**December 31 2022**	**Change (%)**	**March 31 2022**	**Change (%)**
Balance Sheet Highlights					
Total assets	$ 4,151,937	$ 4,078,676	2%	$ 3,999,647	4%
Mortgages - corporate	$ 2,036,744	$ 1,939,494	5%	$ 1,901,940	7%
Mortgages - securitized	$ 1,724,278	$ 1,751,303	(2%)	$ 1,658,839	4%
Total liabilities	$ 3,644,678	$ 3,589,366	2%	$ 3,557,802	2%
Shareholders' equity	$ 507,259	$ 489,310	4%	$ 441,845	15%
Capital Ratios					
Income tax assets to capital ratio [2]	5.02	4.93	2%	5.53	(9%)
CET 1 & Tier 1 capital ratio [4]	19.59 %	19.60 %	—%	19.32 %	0.27%
Total capital ratio [4]	19.81 %	19.83 %	(0.02%)	19.57 %	0.24%
Leverage ratio [3]	9.94 %	9.83 %	0.11%	8.96 %	0.98%
Credit Quality					
Impaired mortgage ratio (corporate) [1]	1.92 %	1.66 %	0.26%	0.03 %	1.89%
Impaired mortgage ratio (total) [1]	1.05 %	0.89 %	0.16%	0.02 %	1.03%
Mortgage Arrears					
Corporate	$ 54,873	$ 54,430	1%	$ 9,981	450%
Securitized	4,096	3,439	19%	4,124	(1%)
Total	$ 58,969	$ 57,869	2%	$ 14,105	318%
Common Share Information (end of period)					
Number of common shares outstanding	34,788	34,306	1%	31,373	11%
Book value per common share [1]	$ 14.58	$ 14.26	2%	$ 14.08	4%
Common share price - close	$ 15.00	$ 15.00	—%	$ 17.85	(16%)
Market capitalization	$ 521,820	$ 514,590	1%	$ 560,008	(7%)

[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 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.

Table 2: Financial Statement Highlights - Quarterly

(in thousands except per share amounts, % and where indicated)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Income Statement Highlights								
Mortgage interest - corporate assets [A]	$35,756	$30,747	$27,216	$22,815	$20,508	$20,436	$19,072	$16,543
Term deposit interest and expenses [B]	$14,741	$13,189	$12,330	$10,185	$ 8,518	$ 8,389	$ 8,013	$ 7,472
Net corporate mortgage spread income[1] [A-B]	$21,015	$17,558	$14,886	$12,630	$11,990	$12,047	$11,059	$ 9,071
Equity income from MCAP Commercial LP	$ 8,003	$ 6,860	$ 8,236	$ 6,288	$ 5,219	$ 6,246	$ 5,606	$ 6,859
Net gain (loss) on securities	$ 999	$ 1,735	$(5,092)	$(9,906)	$ 1,189	$ 3,374	$ 1,016	$ 6,453
Net investment income - corporate assets	$30,622	$30,734	$18,845	$ 9,468	$20,758	$21,875	$18,976	$24,390
Net investment income - securitization assets	$ 872	$ 838	$ 877	$ 1,068	$ 1,115	$ 1,408	$ 1,443	$ 1,570
Net income	$23,277	$24,088	$11,650	$ 4,137	$15,479	$16,070	$12,990	$19,378
Basic and diluted earnings per share	$ 0.67	$ 0.75	$ 0.37	$ 0.13	$ 0.52	$ 0.57	$ 0.47	$ 0.73
Dividends per share - cash	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.34	$ 0.34	$ 0.34
Dividends per share - stock	$ —	$ —	$ —	$ —	$ 0.97	$ —	$ —	$ —
Return on average shareholders' equity [1]	18.60 %	21.17 %	10.52 %	3.75 %	14.19 %	15.39 %	13.22 %	21.28 %
Taxable income per share [2]	$ 0.33	$ 1.11	$ (0.47)	$ 0.30	$ 0.35	$ 0.32	$ 0.57	$ 0.89
Spreads								
Spread of corporate mortgages over term deposit interest and expenses [1]	3.78 %	3.32 %	2.83 %	2.50 %	2.59 %	2.70 %	2.77 %	2.89 %
Spread of securitized mortgages over liabilities [1]	0.39 %	0.39 %	0.44 %	0.51 %	0.54 %	0.62 %	0.65 %	0.72 %
Average term to maturity (in months)								
Mortgages - corporate	11.5	11.4	12.9	13.9	13.8	13.0	13.9	12.8
Term deposits	14.9	16.0	17.1	17.7	17.7	18.5	19.9	19.6
Balance Sheet Highlights ($ million)								
Total assets	$ 4,152	$ 4,079	$ 4,004	$ 4,066	$ 4,000	$ 3,808	$ 3,604	$ 3,305
Mortgages - corporate	$ 2,037	$ 1,939	$ 1,975	$ 1,977	$ 1,902	$ 1,806	$ 1,657	$ 1,401
Mortgages - securitized	$ 1,724	$ 1,751	$ 1,691	$ 1,700	$ 1,659	$ 1,584	$ 1,531	$ 1,435
Total liabilities	$ 3,645	$ 3,589	$ 3,562	$ 3,626	$ 3,558	$ 3,375	$ 3,210	$ 2,916
Shareholders' equity	$ 507	$ 489	$ 443	$ 441	$ 442	$ 433	$ 394	$ 389
Capital Ratios								
Income tax assets to capital ratio [2]	5.02	4.93	5.76	5.53	5.53	5.29	5.50	5.05
CET 1 & Tier 1 capital ratios [4]	19.59 %	19.60 %	18.35 %	18.82 %	19.32 %	20.26 %	19.45 %	21.91 %
Total capital ratio [4]	19.81 %	19.83 %	18.64 %	19.09 %	19.57 %	20.54 %	19.73 %	22.24 %
Leverage ratio [3]	9.94 %	9.83 %	8.88 %	8.82 %	8.96 %	9.41 %	8.86 %	9.59 %
Credit Quality								
Impaired mortgage ratio (corporate) [1]	1.92 %	1.66 %	0.00 %	0.01 %	0.03 %	0.05 %	0.06 %	0.11 %
Impaired mortgage ratio (total) [1]	1.05 %	0.89 %	0.01 %	0.02 %	0.02 %	0.03 %	0.04 %	0.07 %
Mortgage Arrears								
Corporate	$54,873	$54,430	$37,792	$ 9,908	$ 9,981	$10,826	$ 8,794	$ 8,968
Securitized	4,096	3,439	2,842	3,397	4,124	4,865	3,818	7,359
Total	$58,969	$57,869	$40,634	$13,305	$14,105	$15,691	$12,612	$16,327
Common Share Information (end of period)								
Number of common shares outstanding	34,788	34,306	31,855	31,715	31,373	29,621	27,646	27,560
Book value of common share [1]	$ 14.58	$ 14.26	$ 13.90	$ 13.89	$ 14.08	$ 14.63	$ 14.26	$ 14.13
Common share price - close	$ 15.00	$ 15.00	$ 14.57	$ 16.75	$ 17.85	$ 17.23	$ 18.00	$ 17.29
Market capitalization ($ million)	$ 522	$ 515	$ 464	$ 531	$ 560	$ 510	$ 498	$ 477

[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 50% in fiscal 2021 and 25% in fiscal 2022.

Quarterly Trends

- In 2021, the main drivers to net income were related to the ongoing pandemic impacts including a lower interest rate environment and a recovery in the fair value of our REIT portfolio following the initial onset of the pandemic. In 2022, we saw a rising interest rate environment and generally unrealized losses in our REIT portfolio. In Q1 2023, we mostly saw a stabilization in interest rates and some recovery in our REIT portfolio as the Bank of Canada paused interest rate hikes. Other factors include higher average corporate mortgage portfolio balances from net originations, higher spreads of corporate mortgages over term deposit interest and expenses mainly from rising interest rates on our floating rate construction portfolio, and stable equity income from our investment in MCAP since 2021.

- At the end of 2021 to mid-2022, taxable income had generally been reducing or negative and was mainly impacted by lower taxable income from MCAP. This had been partially offset by higher income from our core business. 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 Q1 2023, our taxable income is mainly driven by growth in our core business partially offset by taxable losses from MCAP. The tax losses from MCAP are timing differences only and arise as a result of the tax treatment on sales of their loans into certain securitization programs.

- The spread of corporate mortgages over term deposit interest and expenses had been declining until Q3 2022. Through the latter half of 2021 and first half of 2022, continued market competition had kept mortgage rates low in our residential mortgage portfolio, while increased demand by financial institutions for term deposit funding in the wake of the Russia/Ukraine conflict and demand by deposit customers for higher rates due to anticipated and actual Bank of Canada rate increases had kept term deposit rates elevated, causing a decline in the spread. Since Q3 2022, the rising interest rate environment has increased rates in our floating rate residential construction portfolio above their floor rates and our greater focus on changing the laddering of the duration of our term deposits has kept average term deposit rates from rising faster than our mortgage rates, which has increased our spread of corporate mortgages over term deposit interest and expenses.

- We have seen spreads decline on securitizations as a result of a decline in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields have risen significantly since 2021. As a result, we had reduced our securitization volumes in 2022 and Q1 2023. We participate in this market opportunistically.

- Common Equity Tier 1 ("CET 1"), Tier 1 Capital and Total Capital to risk-weighted assets ratio reductions are due to our growing risk-weighted assets compared to our capital base. The Company successfully initiated three capital raises by way of rights offerings in June 2021, December 2021 and December 2022. These offerings raised $53 million of capital in 2021 and $34 million in 2022. In 2022 and Q1 2023, we also raised $4 million and $0.1 million, respectively, of capital through our at-the-market equity program ("ATM Program"). Our Dividend Reinvestment Program ("DRIP") has provided us with a reliable source of capital maintenance each quarter and we have seen an increase in participation beginning in Q4 2022.

- Mortgage arrears have varied on a quarterly basis given the nature of the 1-30 day arrears. In Q3 2022 to Q1 2023, the increase in arrears is mainly due to construction and commercial mortgages that we expect will either be brought current or where we have initiated asset recovery programs. We expect to recover all past due interest and principal on these loans. We have a strong track record with our asset recovery program should the need arise. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

BUSINESS OVERVIEW AND 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 and investing in 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 real estate lender and investor and that we have strong relationships with our brokers and strategic partners that are foundational to our strategy. This strategy and long-term outlook is based on assumptions from our experience, our market knowledge, and sources we consider reliable.

Economic Outlook

Economic growth has been better than expected despite the aggressive interest rate hikes by the Bank of Canada; however, changes to policy interest rates impact the economy with substantial lags and the outcome is still uncertain on the Canadian economy. Higher interest rates are having their intended effect, including inflation expectations moderating and labour shortages becoming less intense. With 425 bps of interest rate hikes since early 2022, most economists believe that at least a mild recession is probable as inflation is still high and higher debt payments should reduce consumer spending in the latter half of 2023. However, given most Canadians are not exposed to variable mortgage payments and job losses are expected to be mild, the stresses of a mild recession may be manageable. We also expect continued uncertainty around current geopolitical conflicts as well as financial stability concerns in the global banking system, given recent U.S. bank failures. Many Canadian economists believe that the Bank of Canada's overnight rate will remain at 4.5% for the remainder of the year with any potential interest rate cuts not until 2024. That being said, we are starting to hear that there may be a potential for reduced rates later in 2023. Most economists expect slowing growth in Canadian GDP and our unemployment rate to increase but still remain low. A continued low unemployment rate may mitigate the severity or length of any recession. We expect inflation and interest rates to continue to be the dominant concern in 2023.

Housing Market Outlook

Higher interest rates are strong headwinds cooling housing demand as housing affordability continues to worsen in all provincial markets. Most economists are expecting average home prices to decrease further in the short term; however, this price correction will have minimal impact on housing affordability given high borrowing costs and a potential mild recession. In the long term, we believe that expected cuts to interest rates and the continued supply-demand imbalance will provide upward pressure on home prices particularly in and around our core markets of (i) the Greater Toronto area; (ii) the Capital region; and (iii) the Greater Vancouver area. Further, robust immigration rates will keep lifting housing demand. Housing affordability (including housing supply) continues to be a critical issue for all levels of government and in all provinces where we do business with the current federal budget acknowledging that a lack of affordable housing is having a negative effect on the Canadian economy. Even with current government action, the lack of supply of affordable housing is not easily resolved in the short term, as there are multiple factors to consider in increasing supply (i.e. local/municipal government processes, skilled labour shortages, increased construction costs, 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. Higher sustained interest rates as well as the risk of a mild recession will continue to create some headwinds for the remainder of the year for our MCAN Home division which manages volumes in our residential lending business, our MCAN Capital division which manages our REIT portfolio, and our MCAN Wealth division which manages our term deposits. That said, we have positive momentum in other parts of our business, such as our construction lending business which benefits from floating interest rates, and renewal and retention volumes in our uninsured residential mortgages, and we believe that the housing market will ultimately remain strong given lack of supply and the pace of immigration. We believe that there is opportunity to grow our core business in this environment, without taking on significantly more risk. We have better spreads in our residential lending business and there continues to be ample opportunity to lend to residential construction developers, particularly in our core area of lending on more affordable housing projects near transit corridors around key urban markets. We will remain nimble, however, in dealing with any market changes or opportunities that may arise in the short term, with a focus on continuing to protect our net interest margin. 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.

MCAN Capital Division

Our MCAN Capital division manages our construction and commercial lending business, as well as our investments in REITs and real estate-based development and loan funds. Over the next year, we will continue to deploy our capital within our construction and commercial lending business and fund our real estate-based development fund commitments. Notwithstanding headwinds in the housing market from the higher interest rate environment, we expect continued high demand for more affordable housing, which is our focus generally with our investments and construction and commercial loans. We therefore expect a continued solid pipeline for our residential construction lending business. We will also continue to benefit from the higher interest rates as this portfolio of loans is almost entirely at floating rates. Although there continues to be construction zoning site delays as well as the aforementioned housing market headwinds, 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 we expect to recover all past due interest and principal. We continue to very closely monitor our portfolio and the market in general and we will continue to enhance our 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. With that in mind, we will be carefully managing the run-off in our construction loan book from maturities and repayments expected in the second half of the year. We will also look to strengthen existing relationships and seek new partners for investment and lending opportunities. 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 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.

MCAN Home Division

Our MCAN Home division manages our residential lending business. Given the higher interest rate environment, our risk management, credit monitoring and assessment activities will continue to have a heightened focus in operating our business. We currently have a portfolio with a strong credit profile and a minimal level of arrears. Given the expectation of only a mild recession and a small change in unemployment noted above, we expect arrears to be manageable in the short term. Residential mortgages tend to provide comparatively lower yields given their risk profile. That said, we have seen spreads improve over the last several months, particularly in our uninsured residential mortgages, as interest rates have increased and we have focused on proactively protecting our net interest margins. We have been experiencing and expect to continue to experience, strong renewals in our uninsured residential mortgages given the higher interest rate environment, as the Office of the Superintendent of Financial Institutions Canada's ("OSFI") minimum qualifying rate for borrowers applying for new mortgages remains in place. OSFI is proposing several debt serviceability measures with a view to enhancing the credit quality of residential mortgages and underwriting practices of federally regulated lenders, including additional measures to the minimum qualifying rate. If

enacted, these regulatory measures will likely act as a headwind to the housing and mortgage market in the latter half of the year. Based on the current economic and housing market outlook, we will continue to focus on protecting our net interest margins within our capital requirements during this time of uncertainty. We will also look to add new products in 2023 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 are also focused on increasing our mortgage lending in the Alberta and British Columbia urban markets and may look to expand in other 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 employ leverage and fund our business by issuing GICs that are eligible for CDIC deposit insurance that are sourced through a network of independent brokers and financial agents. We have seen higher term deposit rates amid a higher interest rate environment. We typically see the term deposit market impacted first and immediately by higher interest rates, compared to residential mortgages that these term deposits fund given commitments for residential mortgages are done in advance. In the short term there will continue to be volatility in the Government of Canada yield curve and therefore volatility in pricing in the term deposit market. In the mid term, we expect to see term deposit rates stabilize and even decrease as the likelihood for interest rate cuts becomes more clear. Given current and expected interest rates, we continue to look for opportunities to realign the laddering of the duration of our term deposits relative to our corporate mortgage portfolio and utilize our hedging strategies to minimize interest rate risk. We will continue to expand our broker network and look for other channels to source term deposits. We expect to invest in our current and new systems and business infrastructure to drive efficiencies and we are focused on a digital strategy, process improvements and eventually new product offerings within our term deposit operations.

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 or existing shareholder demand for our shares. We have successfully deployed our capital raised from our December 2022 shareholder rights offering and we will continue to use our ATM program 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 into the future, regardless of market conditions. Our targeted average annual growth in corporate assets over the long term is 10%; however, we expect to remain focused on protecting our bottom line and preserving capital over corporate asset growth in the short term, given the current uncertain economic environment.

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

Financial Performance

- Net income totalled $23.3 million in Q1 2023, an increase of $7.8 million (50%) from net income of $15.5 million in Q1 2022. Results for the first quarter of 2023 were mainly impacted by higher net corporate mortgage spread income from a higher interest rate environment and growth in our portfolio.

- Earnings per share totalled $0.67 in Q1 2023, an increase of $0.15 (29%) from earnings per share of $0.52 in Q1 2022.

- Return on average shareholders' equity[1] of 18.60% in Q1 2023, an increase from 14.19% in Q1 2022.

- Net corporate mortgage spread income[1] increased by $9.0 million from Q1 2022. The net corporate mortgage spread income increased due to a higher average corporate mortgage portfolio balance from our mortgage portfolio growth and an increase in the spread of corporate mortgages over term deposit interest and expenses. The increase in the spread of corporate mortgages over term deposit interest and expenses is due to a larger increase in our average mortgage rates compared to our average term deposit rates. The increase in our average mortgage rates is primarily due to the impact of the higher rate environment on our mostly floating rate residential construction loans. On the term deposit side, we have had a greater focus on changing the laddering of the duration of our term deposits given the higher interest rate environment, therefore resulting in the smaller increase in our average term deposit rates.

- Net securitized mortgage spread income[1] decreased by $0.4 million from Q1 2022. The net securitized mortgage spread income decreased due to a lower spread of securitized mortgages over liabilities partially offset by a higher average securitized mortgage portfolio balance from insured residential mortgage originations. We have seen the spread of securitized mortgages over liabilities decline on securitizations mainly as a result of higher securitization liability interest expense from significantly increasing Government of Canada bond yields in a rising interest rate environment.

- Provision for credit losses on our corporate mortgage portfolio of $1.2 million in Q1 2023 was mainly due to one commercial loan where an asset recovery program will be initiated and we expect to recover all past due principal and interest. This was partially offset by more favourable provincial outlook and assumptions for our loans in Alberta, as well as improving economic forecasts from lower inflation and job growth. In Q1 2022, we had a recovery of credit losses of $1.3 million mainly due to improved economic forecasts as we recovered from the pandemic partially offset by growth in our portfolio and uncertainty around inflation.

- Equity income from MCAP Commercial LP ("MCAP") totalled $8.0 million in Q1 2023, an increase of $2.8 million (53%) from $5.2 million in Q1 2022, which was primarily due to (i) higher servicing and administration revenue from higher assets under management; (ii) higher investment revenue from higher average mortgage rates; (iii) a decrease in origination and processing costs due to lower funding volumes; and (iv) higher financial instrument gains resulting from hedge gains, lower fair value losses and lower hedge costs. These were partially offset by (i) lower mortgage origination and processing fees from lower commitment and whole loan sales; (ii) higher securitization expenses; and (iii) higher interest expenses on warehousing and repo facilities from higher interest rates.

- In Q1 2023, we recorded a $1.0 million unrealized fair value gain on securities from the impact on REIT prices of improving economic forecasts and the Bank of Canada pausing interest rate hikes compared to the previous quarter. During Q1 2022, we recorded (i) a $3.0 million unrealized fair value gain from the impact on REIT prices of improved economic forecasts at that time as we recovered from the pandemic; and (ii) a $1.8 million realized fair value loss on one REIT in our portfolio that had a mandatory corporate action resulting in privatization. We expect continued volatility in the REIT market. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments.

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 $2.39 billion at March 31, 2023, a net increase of $102 million (4%) from December 31, 2022.

- Corporate mortgage portfolio totalled $2.04 billion at March 31, 2023, a net increase of $97 million (5%) from December 31, 2022.

- Construction and commercial portfolios totalled $963 million at March 31, 2023, a net increase of $33 million (4%) from December 31, 2022. Our construction portfolio totalled $856 million at March 31, 2023, a net increase of $31 million (4%) from December 31, 2022. In Q1 2023, the positive movement in the construction and commercial portfolios is attributed to net originations of $119 million in new construction and commercial mortgages, partially offset by maturities and repayments.

- Uninsured residential mortgage portfolio totalled $848 million at March 31, 2023, a net increase of $20 million (2%) from December 31, 2022. Uninsured residential mortgage originations were $63 million in Q1 2023, a decrease of $57 million (47%) from Q1 2022. We actively managed origination volumes in order to protect our net interest margins and our bottom line since the second half of 2022. Volumes were also slower in the first part of Q1 2023 as a result of general market conditions, with many Canadians electing not to participate in the housing market given higher rates and inflation, and uncertainty on further Bank of Canada rate hikes. However, we have seen an increase in our uninsured residential mortgage renewals with $112 million in Q1 2023 compared to $79 million in Q1 2022 as we worked with our borrowers to ease the impact on them from the current interest rate environment and mortgage stress tests.

- Insured residential mortgage originations were $68 million in Q1 2023, a decrease of $113 million (62%) from Q1 2022. Insured residential mortgage originations include $12 million of insured residential mortgage commitments originated and sold in Q1 2023 under an agreement with MCAP Securities Limited Partnership, a wholly owned subsidiary of MCAP, compared to $33 million in Q1 2022. We launched our insured adjustable rate residential mortgage product last year. Unlike traditional insured variable rate mortgages, payments on our insured adjustable rate residential mortgages increase or adjust as interest rates rise 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 new product to change as interest rates rise. Insured residential mortgage securitization volumes were $11 million in Q1 2023, a decrease of $126 million (92%) from Q1 2022. We decreased our insured residential mortgage originations and securitization volumes in favour of selling our insured residential mortgage commitments given extremely tight and even negative securitization spreads in the market in the first part of Q1 2023. Overall, total origination volumes (including commitments sold) were lower as a result of the higher interest rate environment. 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.

- We have a derivative and hedging program to manage our interest rate risk. We 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.

Dividend

- The Board declared a second quarter regular cash dividend of $0.36 per share to be paid June 30, 2023 to shareholders of record as of June 15, 2023. As a Mortgage Investment Corporation (“MIC”), we are entitled to deduct the dividends that we pay to shareholders from our taxable income so that we pay no income taxes at the corporate level. At this time, we expect our regular cash dividends for 2023 will be

approximately equal to our taxable income, and therefore we do not expect to distribute a special stock dividend in 2024 relating to 2023 taxable income.

Credit Quality

- Impaired corporate mortgage ratio[1] was 1.92% at March 31, 2023 compared to 1.66% at December 31, 2022. At March 31, 2023, we have two construction loans, one commercial loan and one uninsured - completed inventory mortgage that are impaired. Asset recovery programs are being initiated for all of our impaired loans and we expect to recover all past due principal and interest.

- Impaired total mortgage ratio[1] was 1.05% at March 31, 2023 compared to 0.89% at December 31, 2022. The increase at March 31, 2023 is due to one commercial mortgage and one uninsured - completed inventory mortgage. Asset recovery programs are being initiated for all of our impaired loans and we expect to recover all past due principal and interest.

- Arrears total mortgage ratio[1] was 1.57% at March 31, 2023 compared to 1.57% at December 31, 2022.

- Net write-offs were $nil (0.0 basis points of the average corporate portfolio) in Q1 2023 compared to $nil (0.0 basis points) in Q1 2022.

- Average loan to value ratio ("LTV") of our uninsured residential mortgage portfolio based on an industry index of current real estate values was 64.7% at March 31, 2023 compared to 62.1% at December 31, 2022.

Capital

- We manage our capital and asset balances based on the regulations and limits of both the Tax Act and OSFI. All of our capital ratios are within our regulatory and internal risk appetite guidelines.

- In 2021, we filed a Prospectus Supplement to our Base Shelf prospectus establishing an ATM Program to issue up to $30 million common shares to the public from time to time over a 2 year period at the market prices prevailing at the time of sale. The volume and timing of distributions under the ATM Program are determined at our sole discretion. During Q1 2023, we sold 8,300 common shares at a weighted average price of $15.03 for gross proceeds of $125,000 and net proceeds of $83,000 including $2,500 of commission paid to our agent and $39,000 of other share issuance costs under the ATM Program.

- We issued $6.9 million in new common shares through the DRIP in Q1 2023 compared to $3.4 million in new common shares in Q1 2022. The DRIP participation rate was 29% for the Q1 2023 dividend (Q1 2022 - 17%).

- The income tax assets to capital ratio[3] was 5.02 at March 31, 2023 compared to 4.93 at December 31, 2022.

- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[2] were 19.59% at March 31, 2023 compared to 19.60% at December 31, 2022. Total Capital to risk-weighted assets ratio[2] was 19.81% at March 31, 2023 compared to 19.83% at December 31, 2022.

- The leverage ratio[2] was 9.94% at March 31, 2023 compared to 9.83% at December 31, 2022.

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

[2] *These measures have been calculated in accordance with OSFI's Leverage Requirements and Capital Adequacy Requirements guidelines. Effective March 31, 2020, the total capital ratios in 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 were 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.*

[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 %)					
	Q1	Q4	Change	Q1	Change
For the Quarters Ended	**2023**	**2022**	**(%)**	**2022**	**(%)**
Net Investment Income - Corporate Assets					
Mortgage interest	$ 35,756	$ 30,747	16%	$ 20,508	74%
Equity income from MCAP Commercial LP	8,003	6,860	17%	5,219	53%
Non-marketable securities	2,222	2,318	(4%)	1,560	42%
Marketable securities	927	876	6%	966	(4%)
Fees	571	870	(34%)	584	(2%)
Interest on cash and other income	1,029	675	52%	117	779%
Net gain on securities	999	1,735	(42%)	1,189	(16%)
Gain on dilution of investment in MCAP Commercial LP	—	1,726	(100%)	—	n/a
	49,507	**45,807**	**8%**	**30,143**	**64%**
Term deposit interest and expenses	14,741	13,189	12%	8,518	73%
Mortgage expenses	1,801	1,568	15%	1,554	16%
Interest on loans payable	1,158	1,407	(18%)	558	108%
Other financial expenses	—	—	n/a	10	(100%)
Provision for (recovery of) credit losses	1,185	(1,091)	209%	(1,255)	194%
	18,885	**15,073**	**25%**	**9,385**	**101%**
	30,622	**30,734**	**—%**	**20,758**	**48%**
Net Investment Income - Securitization Assets					
Mortgage interest	9,068	8,607	5%	7,257	25%
Other securitization income	390	284	37%	66	491%
	9,458	**8,891**	**6%**	**7,323**	**29%**
Interest on financial liabilities from securitization	7,501	7,005	7%	5,249	43%
Mortgage expenses	1,085	1,059	2%	960	13%
Recovery of credit losses	—	(11)	100%	(1)	100%
	8,586	**8,053**	**7%**	**6,208**	**38%**
	872	**838**	**4%**	**1,115**	**(22%)**
Operating Expenses					
Salaries and benefits	5,297	4,928	7%	4,996	6%
General and administrative	2,768	2,199	26%	1,925	44%
	8,065	**7,127**	**13%**	**6,921**	**17%**
Net income before income taxes	23,429	24,445	(4%)	14,952	57%
Provision for (recovery of) income taxes	152	357	(57%)	(527)	(129%)
Net Income	**$ 23,277**	**$ 24,088**	**(3%)**	**$ 15,479**	**50%**
Basic and diluted earnings per share	$ 0.67	$ 0.75	(11%)	$ 0.52	29%
Dividends per share - cash	$ 0.36	$ 0.36	—%	$ 0.36	—%
Dividends per share - stock	$ —	$ —	n/a	$ 0.97	(100%)

Net Investment Income - Corporate Assets

Mortgage Interest Income

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

For the Quarters Ended	March 31, 2023			December 31, 2022			March 31, 2022		
(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	$ 158,417	$ 1,341	3.40 %	$ 178,524	$ 1,450	3.23 %	$ 188,453	$ 857	2.00 %
Uninsured	832,005	10,927	5.26 %	830,097	9,638	4.63 %	799,004	7,387	3.71 %
Uninsured - completed inventory	36,311	777	8.98 %	37,462	779	8.25 %	42,564	596	5.67 %
Construction loans									
Residential	845,606	20,520	9.25 %	789,666	16,783	8.43 %	695,369	10,375	6.05 %
Non residential	—	—	— %	4,970	109	8.70 %	4,992	88	7.18 %
Commercial loans									
Multi family residential	100,995	2,049	8.22 %	97,144	1,853	7.56 %	70,321	880	5.51 %
Other	6,310	142	9.13 %	2,609	135	6.53 %	18,073	325	7.30 %
Mortgages - corporate portfolio	$1,979,644	$ 35,756	7.05 %	$1,940,472	$ 30,747	6.27 %	$1,818,776	$ 20,508	4.59 %
Term deposit interest and expenses [2]	1,777,461	14,741	3.27 %	1,719,440	13,189	2.95 %	1,666,109	8,518	2.00 %
Net corporate mortgage spread income [1]		$ 21,015			$ 17,558			$ 11,990	
Spread of corporate mortgages over term deposit interest and expenses [1]			3.78 %			3.32 %			2.59 %
Average term to maturity (months)									
Mortgages - corporate	11.5			11.4			13.8		
Term deposits	14.9			16.0			17.7		

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

[2] *Beginning in Q4 2022, includes the net hedging impact. See "Derivatives and Hedging" sub-section of this MD&A.*

Table 5: Mortgage Originations

(in thousands except %) For the Quarters Ended	Q1 2023	Q4 2022	Change (%)	Q1 2022	Change (%)
Originations					
Residential mortgages - insured fixed [2]	$ 59,914	$ 69,167	(13%)	$ 95,708	(37%)
Residential mortgages - insured adjustable rate [2]	8,260	19,566	(58%)	84,980	(90%)
Residential mortgages - uninsured	62,961	48,462	30%	119,813	(47%)
Residential mortgages - uninsured completed inventory [1]	9,291	286	3,149%	286	3,149%
Residential construction [1]	115,647	117,444	(2%)	88,728	30%
Non-residential construction [1]	—	—	n/a	27	(100%)
Commercial [1]	3,675	5,745	(36%)	13,255	(72%)
	$ 259,748	**$ 260,670**	**—%**	**$ 402,797**	**(36%)**

[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 Q1 2023, the increase in the spread of corporate mortgages over term deposit interest and expenses from Q4 2022 and Q1 2022 was mainly attributable to the rising interest rate environment's impact on floating rates on residential construction loans that are now well above their floor rates. In Q1 2023 compared to Q4 2022 and Q1 2022, we also saw residential mortgage rates more than exceeding the pace of increase in our average term deposit rates as we continued to make a conscious effort to focus on residential lending spreads. Continued market competition had kept the movement in residential mortgage rates low

in the first half of 2022. Meanwhile, deposit customers sought higher rates due to actual and expected Bank of Canada policy interest rate increases. Average term deposit rates for the quarter have increased due to new originations at higher current rates and the maturity of lower-rate term deposits. That said, we have been actively managing our interest rate risk during this period of higher interest rates by changing the laddering of the duration of our term deposits relative to our corporate mortgage portfolio.

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. For the quarter, higher average rates despite slightly lower overall average balances contributed to a higher corporate mortgage interest compared to Q4 2022 and Q1 2022.

Total origination volumes in Q1 2023 and Q4 2022 on our residential mortgages were lower compared to Q1 2022. The economic environment and its impact on the housing market and borrowers, has caused a slowdown in origination volumes. As well, we have had a more purposeful focus on protecting our net interest margin over quantity of originations. However, we have seen an increase in our uninsured residential mortgage renewals with $112 million in Q1 2023 compared to $79 million in Q1 2022 as we worked with our borrowers to ease the impact on them from the current interest rate environment and mortgage stress tests.

Our insured adjustable rate residential mortgage product also saw a slowdown due to the same reasons noted above. Unlike traditional insured variable rate mortgages, payments on our insured adjustable rate residential mortgages increase or adjust as interest rates rise 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 new product to change as interest rates rise.

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 MCAP Securities Limited Partnership (“MSLP”), a wholly owned subsidiary of MCAP, whereby we can sell to MSLP insured residential mortgage commitments. We originated and sold $12 million in commitments in Q1 2023 (Q1 2022 - $33 million) under this agreement. The reason for the lower volume of commitments sold is the same as for our residential mortgage originations noted above.

We securitize our insured residential mortgages opportunistically through the CMHC National Housing Act (“NHA”) Mortgage-Backed Securities (“MBS”) program. Our Q1 2023 residential mortgage securitization volumes were $11 million compared to $137 million in Q1 2022. Insured residential mortgage originations and securitization volumes declined as a result of (i) market slowdown in the demand for insured mortgages as a result of the higher interest rate environment; and (ii) our preference to sell our insured residential loans at the commitment stage given extremely tight and even negative securitization spreads. Renewals of securitized mortgages fluctuate each period depending on the maturities in the securitization portfolio.

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 and they tend to provide comparatively higher yields given their risk profile. Higher average balances and higher average residential construction rates from the higher interest rate environment for the quarter mainly contributed to a higher corporate mortgage interest compared to prior periods.

Some projects have experienced construction delays due to labour shortages and cost overruns from higher interest costs, the inflationary environment and ongoing supply chain issues as a result of geopolitical conflicts, which has led to some loan extension and amendment requests. To date, projects continue to progress toward completion. In Q1 2023, the increase in arrears is mainly due to three construction and commercial mortgages where asset recovery programs are initiated and we expect to recover all past due principal and interest. We have a strong track record with our asset recovery program should the need arise. Our realized loan losses on our construction portfolio have been negligible in the last 10 years. Our prudent underwriting approach requires satisfactory borrower liquidity, guarantor net worth and presale requirements as applicable to the respective markets.

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 March 31, 2023, we had the renewal rights to $2.7 billion of residential mortgages (December 31, 2022 - $2.6 billion).

Equity Income from MCAP

In Q1 2023, MCAP's origination volumes were $4.1 billion, a decrease from $6.3 billion in Q1 2022. At February 28, 2023 (we account for MCAP on a one-month lag basis), MCAP had $154.1 billion of assets under management compared to $153.7 billion at November 30, 2022 and $146.6 billion at February 28, 2022. Equity income from MCAP totalled $8.0 million in Q1 2023, an increase of $2.8 million from $5.2 million in Q1 2022. For Q1 2023, the increase in equity income from MCAP was primarily due to (i) higher servicing and administration revenue from higher assets under management; (ii) higher investment revenue from higher average mortgage rates; (iii) a decrease in origination and processing costs due to lower funding volumes; and (iv) higher financial instrument gains resulting from hedge gains, lower fair value losses and lower hedge costs. These were partially offset by (i) lower mortgage origination and processing fees from lower commitment and whole loan sales; (ii) higher securitization expenses; and (iii) higher interest expenses on warehousing and repo facilities from higher interest rates.

We recognize equity income from MCAP on a one-month lag such that our 2023 equity income from MCAP is based on MCAP's net income for the quarter ended February 28, 2023. 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 $1.9 million in Q1 2023 (Q1 2022 - $1.3 million). The distribution yield[1] on this portfolio was 14.95% in Q1 2023 compared to 11.87% in Q1 2022.

KingSett Senior Mortgage Fund LP ("KSSMF"): We received distribution income of $0.3 million in Q1 2023 (Q1 2022 - $0.1 million). The distribution yield[1] on this portfolio was 9.97% in Q1 2023 compared to 9.61% in Q1 2022.

MCAP RMBS Issuer Corporation Class A securitization notes (the "Securitization Notes"): We received principal and interest of $1.0 million in Q1 2023 (Q1 2022 - $1.4 million), representing a distribution yield[1] of 8%. The final distribution date was March 15, 2023 and we received all scheduled principal and interest repayments over the life of the Securitization Notes.

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

Marketable Securities

Marketable securities income consists primarily of distributions from the REIT portfolio. The distribution yield[1] on this portfolio was 6.50% in Q1 2023 (Q1 2022 - 6.13%). For the quarter, the higher distribution yield is mainly due to the decline in fair value since this time last year. 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 Q1 2023, we recorded a $1.0 million unrealized fair value gain on securities from the impact on REIT prices of improving economic forecasts and the Bank of Canada pausing interest rate hikes compared to the previous quarter. During Q1 2022, we recorded (i) a $3.0 million unrealized fair value gain from the impact on REIT prices of improved economic forecasts at that time as we recovered from the pandemic; and (ii) a $1.8 million realized fair value loss on one REIT in our portfolio that had a mandatory corporate action resulting in privatization. We expect continued volatility in the REIT market. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments.

Term Deposit Interest and Expenses

The increase in term deposit interest and expenses for the quarter compared to Q4 2022 and Q1 2022 was mostly due to a higher average term deposits balance and higher average term deposit rates. In Q1 2022, term deposit rates increased due to dislocation in the term deposit market precipitated by the Russia/Ukraine conflict causing high demand by financial institutions for term deposits. During Q2 2022 to Q1 2023, term deposit rates also increased along with the rising interest rate environment which impacted rates on our new term deposit originations. Term deposit expenses include costs related to insurance, operating infrastructure and administration.

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

Net Investment Income - Securitization Assets

Net investment income from securitization assets relates to our participation in the market MBS program and the Canada Housing Trust ("CHT") Canada Mortgage Bonds ("CMB") program. Our total new securitization volumes were $11 million in Q1 2023 (Q1 2022 - $137 million). The decrease compared to the prior year was due to lower insured residential mortgage originations and sales of insured residential mortgage commitments, another funding source for our insured residential mortgage business, given our focus on protecting our net mortgage interest due to much tighter securitization spreads.

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

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

For the Quarters Ended	March 31, 2023			December 31, 2022			March 31, 2022		
(in thousands except %)	Average Balance[1]	Interest Income	Average Rate[1]	Average Balance[1]	Interest Income	Average Rate[1]	Average Balance[1]	Interest Income	Average Rate[1]
Mortgages - securitized portfolio	$1,723,003	$ 9,068	2.12 %	$1,706,239	$ 8,607	2.01 %	$1,606,982	$ 7,257	1.82 %
Financial liabilities from securitization[2]	1,731,910	7,501	1.73 %	1,717,942	7,005	1.62 %	1,622,325	5,249	1.28 %
Net securitized mortgage spread income[1]		$ 1,567			$ 1,602			$ 2,008	
Spread of securitized mortgages over liabilities[1]			0.39 %			0.39 %			0.54 %

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

In Q1 2023 and Q4 2022, we have seen spreads decline on securitizations compared to Q1 2022 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 we entered a rising interest rate environment.

Derivatives and Hedging

Beginning in Q4 2022, we began to 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. All of our derivative transactions are with highly rated Canadian financial institutions.

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 these 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 March 31, 2023, the Company had derivative financial instruments outstanding with net unrealized fair value gains of $0.2 million recognized in the consolidated statements of comprehensive income. During Q1 2023, we also recognized a net realized loss on our derivative transactions of $0.1 million (Q4 2022 - $0.2 million) in the consolidated statements of comprehensive income.

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

Provision for (Recovery of) Credit Losses

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

(in thousands except basis points and %)					
For the Quarters Ended	**Q1 2023**	**Q4 2022**	**Change (%)**	**Q1 2022**	**Change (%)**
Provision for (recovery of) impaired corporate mortgages					
Residential mortgages					
Uninsured	11	41	(73%)	14	(21%)
Commercial loans					
Other commercial	1,598	—	n/a	—	n/a
	1,609	41	3,824%	14	11,393%
Provision for (recovery of) performing corporate mortgages					
Residential mortgages					
Insured	—	(1)	100%	—	n/a
Uninsured	(84)	(10)	(740%)	(790)	89%
Uninsured - completed inventory	(58)	(51)	(14%)	(145)	60%
Construction loans	(178)	(1,170)	85%	(345)	48%
Commercial loans					
Multi family residential	(76)	92	(183%)	34	(324%)
Other commercial	(26)	14	(286%)	(25)	(4%)
	(422)	(1,126)	63%	(1,271)	67%
Other provisions (recoveries)	(2)	(6)	67%	2	(200%)
Total corporate provision for (recovery of) credit losses	1,185	(1,091)	209%	(1,255)	194%
Provision for (recovery of) performing securitized mortgages	—	(11)	100%	(1)	100%
Total provision for (recovery of) credit losses	$ 1,185	$ (1,102)	208%	$ (1,256)	194%
Corporate mortgage portfolio data:					
Provision for (recovery of) credit losses, net	$ 1,187	$ (1,085)	209%	$ (1,257)	194%
Net write offs	$ —	$ 4	(100%)	$ —	n/a
Net write offs (basis points)	—	0.1	(100%)	—	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 $1.2 million in Q1 2023 compared to a recovery of credit losses of $1.3 million in Q1 2022. The provision for credit losses in Q1 2023 was mainly due to one commercial loan where an asset recovery program will be initiated and we expect to recover all past due principal and interest. This was partially offset by more favourable provincial outlook and assumptions for our loans in Alberta, as well as improving economic forecasts from lower inflation and job growth. In Q1 2022, we had a recovery of credit losses mainly due to improved economic forecasts as we recovered from the pandemic partially offset by growth in our portfolio and uncertainty around inflation. The current inflationary and higher interest rate environment have 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 March 31, 2023. IFRS 9, *Financial Instruments* ("IFRS 9") does not permit the use of hindsight in measuring provisions for credit losses. Since March 31, 2023, forecasts around these uncertainties have continued to evolve. Any new forward-looking information subsequent to March 31, 2023, 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.

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

Operating Expenses

Table 8: Operating Expenses

(in thousands except %) For the Quarters Ended	Q1 2023	Q4 2022	Change (%)	Q1 2022	Change (%)
Salaries and benefits	$ 5,297	$ 4,928	7%	$ 4,996	6%
General and administrative	2,768	2,199	26%	1,925	44%
	$ 8,065	**$ 7,127**	**13%**	**$ 6,921**	**17%**

The increase in salaries and benefits is primarily due to additional resources to support our increased growth as well as regular pay increases and enhancements to our wellness, benefit and compensation plans.

The increase in general and administrative expenses is primarily due to professional fees and technology costs relating to new system enhancements for our business operations and customer experience.

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 a MIC status, we pay out all of MCAN's non-consolidated taxable income to shareholders through dividends. As a MIC, we are entitled to deduct dividends paid up to 90 days after year end from taxable income. Dividends that are deducted in the calculation of taxable income are not included in the table below.

Table 9: Taxable Income Reconciliation

(in thousands) **For the Quarters Ended March 31**	**2023**	**2022**
Consolidated net income for accounting purposes	$ 23,277	$ 15,479
Adjustments to calculate taxable income (loss):		
Reverse: Equity income from MCAP - accounting purposes	(8,003)	(5,219)
Add: MCAP taxable income (loss)	(4,234)	7,068
Reverse: Provision for (recovery of) credit losses [2]	(262)	(1,269)
Add: Amortization of upfront securitization program costs [3]	2,722	2,183
Deduct: Securitization program mortgage origination costs [3]	(641)	99
Add: Securitization program premium (discount)	(124)	(4,444)
Reverse: Net unrealized loss (gain) on securities [4]	(999)	(1,189)
Add: Capital gains (losses)	—	(285)
Reverse: Loss (income) earned in subsidiaries [5]	(546)	(2,259)
Other items	125	98
Taxable Income (Loss)[1]	**$ 11,315**	**$ 10,262**

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

The change in taxable income for Q1 2023 compared to Q1 2022 was primarily due to taxable losses from MCAP. The tax losses from MCAP are timing differences only and arise as a result of the tax treatment on sales of loans into certain securitization programs. As a MIC, we pay out all of our taxable income to shareholders through dividends. At this time, we expect our regular cash dividends for 2023 will be approximately equal to our taxable income, and therefore we do not expect to distribute a special stock dividend in 2024 relating to 2023 taxable income.

FINANCIAL POSITION

Assets

Table 10: Assets

(in thousands except %)	March 31 2023	December 31 2022	Change (%)	March 31 2022	Change (%)
Corporate Assets					
Cash and cash equivalents	$ 66,621	$ 78,210	(15%)	$ 131,637	(49%)
Marketable securities	54,741	53,743	2%	67,013	(18%)
Mortgages	2,036,744	1,939,494	5%	1,901,940	7%
Non-marketable securities	101,782	97,228	5%	71,637	42%
Equity investment in MCAP Commercial LP	109,167	106,168	3%	97,218	12%
Deferred tax asset	912	1,095	(17%)	1,334	(32%)
Derivative financial instruments	231	—	n/a	—	n/a
Other assets	15,154	7,182	111%	9,972	52%
	2,385,352	**2,283,120**	**4%**	**2,280,751**	**5%**
Securitization Assets					
Cash held in trust	32,978	34,531	(4%)	50,101	(34%)
Mortgages	1,724,278	1,751,303	(2%)	1,658,839	4%
Other assets	9,329	9,722	(4%)	9,956	(6%)
	1,766,585	**1,795,556**	**(2%)**	**1,718,896**	**3%**
	$ 4,151,937	**$ 4,078,676**	**2%**	**$ 3,999,647**	**4%**

Our total corporate assets increased compared to December 31, 2022 and March 31, 2022 primarily due to origination volumes in our portfolios outpacing maturities. Compared to December 31, 2022, our securitization assets decreased mainly due to lower insured residential mortgage originations as a result of (i) market slowdown in the demand for insured mortgages as a result of the higher interest rate environment; and (ii) our preference to sell our insured residential loans at the commitment stage given extremely tight and even negative securitization spreads.

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 March 31, 2023, the average outstanding construction loan balance was $9 million (December 31, 2022 - $8 million) with a maximum individual loan commitment of $40 million (December 31, 2022 - $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.

As previously mentioned, insured residential mortgage originations and securitization volumes declined in Q1 2023 due to the higher interest rate environment which impacted demand for insured mortgages, as well as our preference to sell insured mortgages at the commitment stage versus securitizing them given the extremely tight and even negative securitization spreads that we experienced for most of Q1 2023.

During Q1 2023, we securitized $11 million (Q1 2022 - $137 million) of MBS through the market MBS program and CMB program.

We may issue market MBS through the NHA MBS program and retain the underlying MBS security for liquidity purposes rather than selling the MBS to a third party. At March 31, 2023, we held $109 million of retained MBS on our balance sheet (December 31, 2022 - $63 million), which is included in the insured residential mortgage portfolio in corporate mortgages.

Table 11: Mortgage Summary

(in thousands except %)	March 31 2023	December 31 2022	Change (%)	March 31 2022	Change (%)
Corporate portfolio					
Residential mortgages					
Insured	$ 187,218	$ 144,569	30%	$ 210,401	(11%)
Uninsured	848,342	828,540	2%	833,824	2%
Uninsured - completed inventory	38,060	36,680	4%	37,936	—%
Construction loans	856,165	825,126	4%	722,827	18%
Commercial loans					
Multi family residential	102,114	98,238	4%	78,879	29%
Other commercial	4,845	6,341	(24%)	18,073	(73%)
	2,036,744	**1,939,494**	**5%**	**1,901,940**	**7%**
Securitized portfolio	**1,724,278**	**1,751,303**	**(2%)**	**1,658,839**	**4%**
	$ 3,761,022	**$ 3,690,797**	**2%**	**$ 3,560,779**	**6%**

Table 12: Corporate Mortgage Portfolio Continuity for the Quarter Ended March 31, 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]	82,822	158,918	9,291	115,251	3,675	369,957
Payments and prepayments	(2,059)	(4,898)	(8,043)	(87,118)	(21)	(102,139)
Maturities	(15,415)	(134,870)	—	—	—	(150,285)
Securitizations	(10,950)	—	—	—	—	(10,950)
Sale of commitments to MCAP	(12,405)	—	—	—	—	(12,405)
Capitalization and amortization of fees	656	652	132	2,906	(1,274)	3,072
Balance, end of the period	**$ 187,218**	**$ 848,342**	**$ 38,060**	**$ 856,165**	**$ 106,959**	**$ 2,036,744**

[1] *includes originations, including insured residential mortgage commitments originated and sold to MCAP, renewals and transfers in from our securitization portfolio.*

Table 13: Corporate Mortgage Portfolio Continuity for the Quarter Ended March 31, 2022

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 196,580**	**$ 783,075**	**$ 49,431**	**$ 684,297**	**$ 92,761**	**$ 1,806,144**
Originations[1]	203,500	181,418	610	88,755	13,255	487,538
Payments and prepayments	(2,029)	(5,846)	(12,288)	(51,242)	(9,032)	(80,437)
Maturities	(18,627)	(125,951)	—	—	—	(144,578)
Securitizations	(136,368)	—	—	—	—	(136,368)
Sale of commitments to MCAP	(32,880)	—	—	—	—	(32,880)
Capitalization and amortization of fees	225	1,128	183	1,017	(32)	2,521
Balance, end of the period	**$ 210,401**	**$ 833,824**	**$ 37,936**	**$ 722,827**	**$ 96,952**	**$ 1,901,940**

[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)

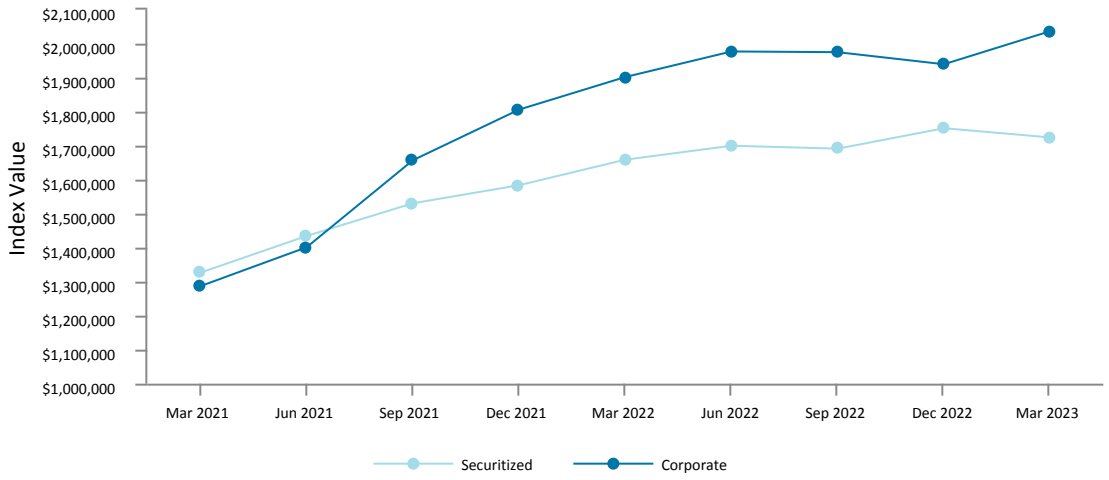
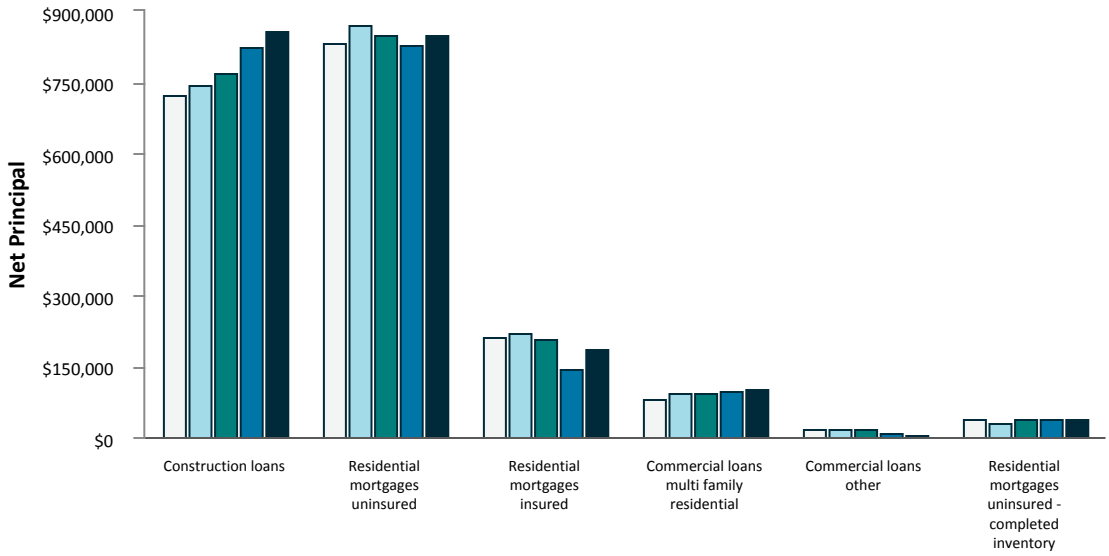


Figure 2: Corporate Mortgage Portfolio Composition by Product Type (in thousands)



	Construction loans	Residential mortgages uninsured	Residential mortgages insured	Commercial loans multi family residential	Commercial loans other	Residential mortgages uninsured - completed inventory
Mar 31, 2022	$722,827 (38%)	$833,824 (44%)	$210,401 (11%)	$78,879 (4%)	$18,073 (1%)	$37,936 (2%)
Jun 30, 2022	$744,020 (38%)	$870,633 (43%)	$220,885 (11%)	$92,392 (5%)	$17,821 (1%)	$31,349 (2%)
Sep 30, 2022	$768,671 (39%)	$848,164 (42%)	$208,781 (11%)	$92,518 (5%)	$17,853 (1%)	$38,970 (2%)
Dec 31, 2022	$825,126 (43%)	$828,540 (43%)	$144,569 (7%)	$98,238 (5%)	$6,341 (0%)	$36,680 (2%)
Mar 31, 2023	$856,165 (42%)	$848,342 (42%)	$187,218 (9%)	$102,114 (5%)	$4,845 (0%)	$38,060 (2%)

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

Table 14: Mortgage Portfolio Geographic Distribution

	March 31, 2023		December 31, 2022	
	Corporate	Securitized	Corporate	Securitized
Ontario	57.3 %	86.5 %	57.6 %	86.4 %
British Columbia	30.7 %	3.3 %	29.4 %	3.3 %
Alberta	9.9 %	8.0 %	11.0 %	8.0 %
Atlantic Provinces	0.4 %	1.3 %	0.3 %	1.3 %
Quebec	1.1 %	0.4 %	1.2 %	0.5 %
Other	0.6 %	0.5 %	0.5 %	0.5 %
	100.0 %	**100.0 %**	**100.0 %**	**100.0 %**

Credit Quality

Table 15: Arrears and Impaired Mortgages

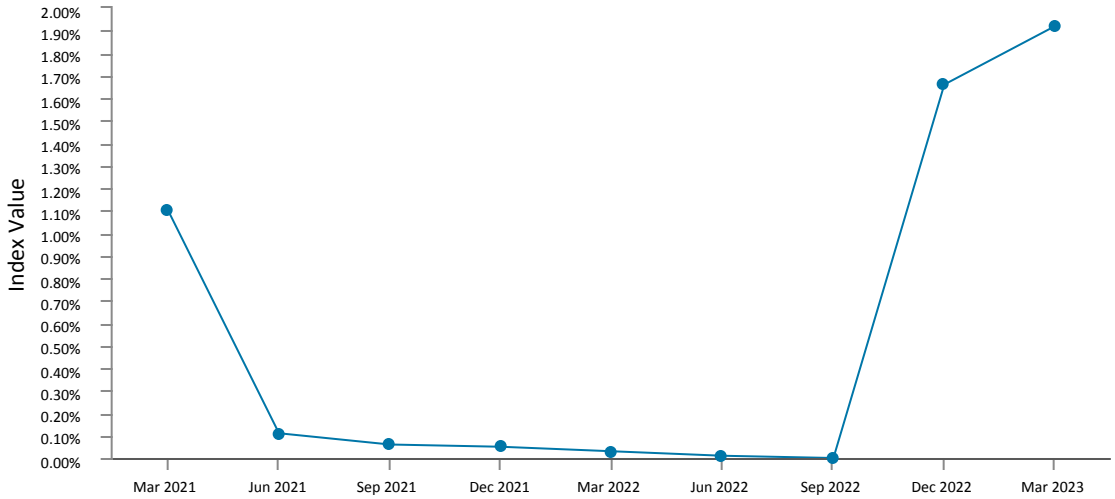
(in thousands except %)	March 31 2023	December 31 2022	Change (%)	March 31 2022	Change (%)
Impaired mortgages					
Corporate					
Residential mortgages - insured	$ 473	$ —	n/a	$ 162	192%
Residential mortgages - uninsured	499	186	168%	411	21%
Residential mortgages - uninsured - completed inventory	2,577	—	n/a	—	n/a
Construction loans	32,088	32,085	—%	—	n/a
Commercial loans - other	3,482	—	n/a	—	n/a
	39,119	32,271	21%	573	6,727%
Securitized	195	550	(65%)	103	89%
Total impaired mortgages	$ 39,314	$ 32,821	20%	$ 676	5,716%
Impaired corporate mortgage ratio [1]	1.92 %	1.66 %	0.26%	0.03 %	1.89%
Impaired total mortgage ratio [1]	1.05 %	0.89 %	0.16%	0.02 %	1.03%
Mortgage arrears					
Corporate					
Residential mortgages - insured	$ 870	$ 511	70%	$ 1,503	(42%)
Residential mortgages - uninsured	15,856	14,177	12%	8,478	87%
Residential mortgages - uninsured - completed inventory	2,577	2,577	—%	—	n/a
Construction loans	32,088	32,085	—%	0	n/a
Commercial loans - other	3,482	5,080	(31%)	—	n/a
Total corporate mortgage arrears	54,873	54,430	1%	9,981	450%
Total securitized mortgage arrears	4,096	3,439	19%	4,124	(1%)
Total mortgage arrears	$ 58,969	$ 57,869	2%	$ 14,105	318%
Staging analysis - corporate portfolio					
Stage 2					
Residential mortgages - insured	$ 8,119	$ 5,157	57%	$ 6,881	18%
Residential mortgages - uninsured	154,584	132,934	16%	103,938	49%
Residential mortgages - uninsured - completed inventory	—	2,577	(100%)	—	n/a
Construction loans	9,780	7,341	33%	13,345	(27%)
Commercial loans - multi-family residential	39,721	27,406	45%	27,412	45%
Commercial loans - other	—	5,080	(100%)	16,811	(100%)
	212,204	180,495	18%	168,387	26%
Stage 3					
Residential mortgages - insured	473	—	n/a	162	192%
Residential mortgages - uninsured	499	186	168%	411	21%
Residential mortgages - uninsured - completed inventory	2,577	—	n/a	—	n/a
Construction loans	32,088	32,085	—%	—	n/a
Commercial loans - other	3,482	—	n/a	—	n/a
	39,119	32,271	21%	573	6,727%
Total stage 2 and 3 corporate mortgages	$ 251,323	$ 212,766	18%	$ 168,960	49%
Allowance for credit losses					
Corporate					
Allowance on performing mortgages	$ 5,127	$ 5,549	(8%)	$ 5,363	(4%)
Allowance on impaired mortgages	1,658	49	3,284%	27	6,041%
	6,785	5,598	21%	5,390	26%
Securitized - allowance on performing mortgages	—	—	n/a	3	(100%)
Total allowance for credit losses	$ 6,785	$ 5,598	21%	$ 5,393	26%

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

Arrears and Impaired Mortgage Summary

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

Figure 3: Impaired Corporate Mortgage Ratio[1]



The impaired corporate mortgage ratio, as presented above, reflects impaired (stage 3) mortgages under IFRS 9 as a percentage of the total corporate portfolio. At March 31, 2023, the increase in impaired mortgages compared to March 31, 2022, is mainly due to two construction mortgages, one commercial mortgage, and one uninsured - completed inventory mortgage where we have initiated asset recovery programs. We expect to recover all past due interest and principal on these loans. We have a strong track record with our asset recovery program should the need arise. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

In the event of a protracted economic downturn due to the current inflationary and higher 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 16: Residential Mortgages by Province at March 31, 2023

(in thousands except %)	Corporate						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
Ontario	$ 137,835	73.7 %	$ 759,863	85.7 %	$ 74	81.3 %	$1,490,684	86.5 %	$ 2,388,456	85.4 %
Alberta	34,934	18.7 %	27,119	3.1 %	17	18.7 %	138,560	8.0 %	200,630	7.2 %
British Columbia	4,341	2.3 %	77,175	8.7 %	—	— %	57,631	3.3 %	139,147	5.0 %
Quebec	3,392	1.8 %	14,785	1.7 %	—	— %	7,344	0.4 %	25,521	0.9 %
Atlantic Provinces	4,508	2.4 %	2,729	0.3 %	—	— %	21,592	1.3 %	28,829	1.0 %
Other	2,117	1.1 %	4,731	0.5 %	—	— %	8,467	0.5 %	15,315	0.5 %
Total	**$ 187,127**	**100.0 %**	**$ 886,402**	**100.0 %**	**$ 91**	**100.0 %**	**$1,724,278**	**100.0 %**	**$ 2,797,898**	**100.0 %**

Table 17: Residential Mortgages by Province at December 31, 2022

(in thousands except %)	Corporate						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
Ontario	$ 96,828	67.1 %	$ 745,343	86.2 %	$ 80	81.6 %	$1,514,305	86.4 %	$ 2,356,556	85.3 %
Alberta	34,926	24.2 %	30,319	3.5 %	18	18.4 %	139,420	8.0 %	204,683	7.4 %
British Columbia	4,762	3.3 %	66,010	7.6 %	—	— %	57,828	3.3 %	128,600	4.7 %
Quebec	3,239	2.2 %	16,045	1.9 %	—	— %	7,896	0.5 %	27,180	1.0 %
Atlantic Provinces	3,793	2.6 %	2,754	0.3 %	—	— %	22,817	1.3 %	29,364	1.1 %
Other	923	0.6 %	4,749	0.5 %	—	— %	9,037	0.5 %	14,709	0.5 %
Total	**$ 144,471**	**100.0 %**	**$ 865,220**	**100.0 %**	**$ 98**	**100.0 %**	**$1,751,303**	**100.0 %**	**$ 2,761,092**	**100.0 %**

Table 18: Residential Mortgages by Amortization Period at March 31, 2023

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 to 35 Years	Total
Corporate	$ 136,147	$ 221,274	$ 431,412	$ 284,787	$ 1,073,620
	12.7 %	20.6 %	40.2 %	26.5 %	100.0 %
Securitized	$ 448,906	$ 1,269,007	$ 6,365	$ —	$ 1,724,278
	26.0 %	73.6 %	0.4 %	— %	100.0 %
Total	**$ 585,053**	**$ 1,490,281**	**$ 437,777**	**$ 284,787**	**$ 2,797,898**
	20.9 %	**53.3 %**	**15.6 %**	**10.2 %**	**100.0 %**

Table 19: Residential Mortgages by Amortization Period at December 31, 2022

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 to 35 Years	Total
Corporate	$ 121,572	$ 171,941	$ 453,693	$ 262,583	$ 1,009,789
	12.0 %	17.1 %	44.9 %	26.0 %	100.0 %
Securitized	$ 415,475	$ 1,260,250	$ 75,231	$ 347	$ 1,751,303
	23.7 %	72.0 %	4.3 %	— %	100.0 %
Total	**$ 537,047**	**$ 1,432,191**	**$ 528,924**	**$ 262,930**	**$ 2,761,092**
	19.5 %	**51.8 %**	**19.2 %**	**9.5 %**	**100.0 %**

Table 20: Average LTV Ratio for Uninsured Residential Mortgage Originations

(in thousands except %) For the Quarters Ended	Q1 2023	Average LTV	Q1 2022	Average LTV
Ontario	$ 53,994	70.8%	$109,719	66.2%
Alberta	2,324	67.7%	2,659	71.0%
British Columbia	15,934	67.8%	7,721	72.9%
	$ 72,252	**70.0%**	**$120,099**	**66.7%**

Table 21: Average LTV Ratios at Origination by Mortgage Portfolio

	March 31 2023	December 31 2022
Corporate portfolio		
Residential mortgages		
Insured	70.7 %	68.0 %
Uninsured[1]	63.5 %	63.1 %
Uninsured - completed inventory	60.5 %	56.6 %
Construction loans		
Residential	65.3 %	65.7 %
Commercial loans		
Multi family residential	74.6 %	74.6 %
Other commercial	62.1 %	62.1 %
	65.4 %	65.0 %
Securitized portfolio	80.0 %	80.1 %
	72.1 %	**72.2 %**

[1] *MCAN's corporate uninsured residential mortgage portfolio (including completed inventory loans) is secured with a weighted average LTV at origination of 63.3% at March 31, 2023 (December 31, 2022 - 65.6%). Based on an industry index that incorporates current real estate values, the ratio would be 64.7% at March 31, 2023 (December 31, 2022 - 62.1%).*

Other Corporate Assets

Cash and Cash Equivalents

At March 31, 2023, our cash balance was $67 million (December 31, 2022 - $78 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 March 31, 2023, the portfolio balance was $55 million (December 31, 2022 - $54 million). The increase is due to unrealized fair value gains from the impact on REIT prices of improving economic forecasts and the Bank of Canada pausing interest rate hikes compared to the previous quarter. We expect continued volatility in the REIT market. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments.

Non-Marketable Securities

At March 31, 2023, our non-marketable securities balance was $102 million (December 31, 2022 - $97 million). We have $76 million in remaining capital advances for non-marketable securities expected to fund mainly over the next five years. Our non-marketable securities consist of the following:

KSHYF: We invest in KSHYF in which we have a 6.0% equity interest (December 31, 2022 - 5.9%). At March 31, 2023, the carrying value of our investment was $54 million (December 31, 2022 - $53 million). The KSHYF invests in mortgages secured by real estate including mezzanine, subordinate and bridge mortgages. At March 31, 2023, our total remaining commitment to the KSHYF was $34 million, consisting of an additional $5 million of capital advances for the KSHYF and $29 million to support credit facilities throughout the life of the KSHYF.

Securitization Notes: During 2019, we invested $18 million in Class A Securitization Notes. The final distribution date was March 15, 2023 and we received all scheduled principal and interest repayments over the life of the Securitization Notes. The issuer of the Securitization Notes was a wholly-owned subsidiary of MCAP.

KSSMF: We invest in KSSMF in which we have a 1.8% partnership interest (December 31, 2022 - 1.5%). At March 31, 2023, the carrying value of our investment was $12 million (December 31, 2022 - $9 million), with an additional $3 million remaining commitment. KSSMF invests in a diversified portfolio of mortgage loans secured by Canadian residential and commercial real estate.

TAS LP 3 ("TAS"): We invest in TAS representing a 9.7% partnership interest (December 31, 2022 - 9.7%). At March 31, 2023, the carrying value of our investment was $9 million (December 31, 2022 - $9 million), with an additional $1 million remaining commitment. TAS 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 (December 31, 2022 - 34.8%). At March 31, 2023, the carrying value of our investment was $4 million (December 31, 2022 - $4 million), with an additional $1 million remaining commitment. TAS Co has an approximately 17.5% to 24% interest in its underlying investments of urban residential and mixed use properties that are being developed under repositioning plans with a focus on environmental and social impacts.

Pearl Group Growth Fund LP ("Pearl"): We invest in Pearl representing a 6.9% partnership interest (December 31, 2022 - 6.9%). At March 31, 2023, the carrying value of our investment was $2 million (December 31, 2022 - $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 (December 31, 2022 - 7.7%). At March 31, 2023, the carrying value of our investment was $9 million (December 31, 2022 - $9 million), with an additional $11 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 (December 31, 2022 - 12.1%). At March 31, 2023, the carrying value of our investment was $2 million (December 31, 2022 - $2 million) with an additional $8 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 16.6% partnership interest (December 31, 2022 - 17.6%). At March 31, 2023, the carrying value of our investment was $2 million (December 31, 2022 - $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 (December 31, 2022 - 5.7%). At March 31, 2023, the carrying value of our investment was $2 million (December 31, 2022 - $2 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 (December 31, 2022 - 7.1%). At March 31, 2023, the carrying value of our investment was $5 million (December 31, 2022 - $4 million) with an additional $10 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 13.83% equity interest in MCAP (December 31, 2022 - 13.65%), which represents 4.0 million units held by MCAN at March 31, 2023 (December 31, 2022 - 4.0 million) of the 28.9 million total outstanding MCAP partnership units (December 31, 2022 - 29.3 million). The investment had a net book value of $109 million at March 31, 2023 (December 31, 2022 - $106 million). The net book value is not indicative of the fair market value of our equity interest in MCAP.

During Q1 2023, we received $5.0 million of unitholder distributions from MCAP (Q1 2022 - $4.2 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 22: Liabilities and Shareholders' Equity

(in thousands except %)	March 31 2023	December 31 2022	Change (%)	March 31 2022	Change (%)
Corporate Liabilities					
Term deposits	$ 1,897,534	$ 1,819,830	4%	$ 1,782,887	6%
Loans payable	31,816	6,532	387%	107,337	(70%)
Other liabilities	7,577	22,616	(66%)	9,164	(17%)
	1,936,927	**1,848,978**	**5%**	**1,899,388**	**2%**
Securitization Liabilities					
Financial liabilities from securitization	1,707,751	1,740,388	(2%)	1,658,414	3%
	1,707,751	**1,740,388**	**(2%)**	**1,658,414**	**3%**
	3,644,678	**3,589,366**	**2%**	**3,557,802**	**2%**
Shareholders' Equity					
Share capital	396,931	389,986	2%	347,968	14%
Contributed surplus	510	510	—%	510	—%
Retained earnings	109,833	98,990	11%	93,367	18%
Accumulated other comprehensive income	(15)	(176)	(91%)	—	n/a
	507,259	**489,310**	**4%**	**441,845**	**15%**
	$ 4,151,937	**$ 4,078,676**	**2%**	**$ 3,999,647**	**4%**

Term Deposits

Our primary source of funding for our corporate operations is the issuance of term deposits that are eligible for CDIC deposit insurance. We source term deposits through a broker distribution network across Canada consisting of third party deposit agents and financial advisors. Deposits cannot be cashed prior to maturity or paid on demand except in the event of the death of a depositor or financial hardship. We believe that our term deposits provide a reliable low-cost funding source that can be

strategically matched against the corporate mortgage portfolio. The role of term deposits in managing liquidity and funding risk is discussed in the "Liquidity and Funding Risk" sub-section of the "Risk Management" section of this MD&A.

Loans Payable

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.

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 Q1 2023 consists of net income of $23.3 million (Q1 2022 - $15.5 million) less dividends of $12.4 million (Q1 2022 - $39.5 million).

Accumulated Other Comprehensive Income

Beginning in Q4 2022, we began to 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 Q1 2023, we had net realized fair value losses of $0.1 million and unrealized fair value gains of $0.2 million 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 23: Income Tax Capital

(in thousands except ratios)

	March 31 2023	December 31 2022
Income tax assets		
Consolidated assets	$ 4,151,937	$ 4,078,676
Adjustment for assets in subsidiaries	7,577	29,833
Non-consolidated assets in MIC entity	4,159,514	4,108,509
Add: corporate mortgage allowances	5,283	5,545
Less: securitization assets [1]	(1,733,722)	(1,768,828)
Adjustments to equity investments in MCAP and subsidiaries	(54,136)	(41,090)
Other adjustments	2,165	4,064
	$ 2,379,104	$ 2,308,200
Income tax liabilities		
Consolidated liabilities	$ 3,644,678	$ 3,589,366
Adjustment for liabilities in subsidiaries	(33,601)	(11,537)
Non-consolidated liabilities in MIC entity	3,611,077	3,577,829
Less: securitization liabilities [1]	(1,705,549)	(1,738,216)
	$ 1,905,528	$ 1,839,613
Income tax capital	$ 473,576	$ 468,587
Income tax capital ratios		
Income tax assets to capital ratio	5.02	4.93
Income tax liabilities to capital ratio	4.02	3.93

[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 March 31, 2023, we were in compliance with our internal target minimum CET 1, Tier 1 and Total Capital to risk weighted asset and leverage ratios. We maintain prudent capital planning practices to ensure that we are adequately capitalized and continue to satisfy minimum standards and internal targets.

Table 24: Regulatory Capital [3]

(in thousands except %)

	March 31 2023	December 31 2022
OSFI Regulatory Ratios		
Share capital	$ 396,931	$ 389,986
Contributed surplus	510	510
Retained earnings	109,833	98,990
Accumulated other comprehensive income	(15)	(176)
Deduction from equity investment in MCAP [1]	(58,441)	(57,201)
Eligible Stage 1 and Stage 2 mortgage allowances [3]	—	357
Common Equity Tier 1 and Tier 1 Capital (A)	448,818	432,466
Tier 2 Capital	5,127	5,192
Total Capital (D)	$ 453,945	$ 437,658
Total Exposure/Regulatory Assets		
Consolidated assets	$ 4,151,937	$ 4,078,676
Less: deduction for equity investment in MCAP [1]	(58,441)	(57,201)
Other adjustments [2]	4,868	2,994
Total On-Balance Sheet Exposures	4,098,364	4,024,469
Mortgages and non-marketable securities funding commitments (50%)	394,878	352,069
Letters of credit (50%)	22,365	23,994
Total Off-Balance Sheet Items	417,243	376,063
Total Exposure/Regulatory Assets (B)	$ 4,515,607	$ 4,400,532
Leverage ratio (A / B)	9.94 %	9.83 %
Risk-weighted assets (C)	$ 2,291,149	$ 2,206,580
Regulatory Capital Ratios		
Common Equity Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.59 %	19.60 %
Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.59 %	19.60 %
Total capital to risk-weighted assets ratio **(D / C)**	19.81 %	19.83 %

[1] The deduction for the equity investment in MCAP is equal to the equity investment balance less 10% of shareholders' equity and eligible stage 1 and stage 2 mortgage allowances.
[2] Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.
[3] These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements and Leverage Requirements guidelines. Effective March 31, 2020, the total capital ratios in 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.

Table 25: Regulatory Risk-Weighted Assets [1]

(in thousands except %)	March 31, 2023			December 31, 2022		
	Amounts	Average Rate	Risk-Weighted Assets	Amounts	Average Rate	Risk-Weighted Assets
On-Balance Sheet Assets						
Cash and cash equivalents	$ 66,621	21 %	$ 14,298	$ 78,210	21 %	$ 16,241
Cash held in trust	32,978	20 %	6,596	34,531	20 %	6,906
Marketable securities	54,741	100 %	54,741	53,743	100 %	53,743
Mortgages - corporate	2,036,744	65 %	1,326,883	1,939,494	66 %	1,279,396
Mortgages - securitized	1,724,278	5 %	94,315	1,751,303	6 %	96,599
Non-marketable securities	101,782	172 %	174,561	97,228	179 %	174,338
Equity investment in MCAP Commercial LP	109,167	46 %	50,726	106,168	46 %	48,967
Deferred tax asset	912	100 %	912	1,095	100 %	1,095
Other assets	24,483	100 %	24,483	16,904	100 %	16,904
Derivative Financial Instruments	231	— %	—	—	— %	—
	4,151,937		1,747,515	4,078,676		1,694,189
Off-Balance Sheet Items						
Letters of credit	44,731	50 %	22,366	47,988	50 %	23,994
Commitments	789,757	44 %	351,383	704,139	47 %	330,109
Derivative Financial Instruments	49,631	1 %	322	—	— %	—
			374,071			354,103
Charge for operational risk [2]			169,563			158,288
Risk-Weighted Assets			**$ 2,291,149**			**$ 2,206,580**

[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 2022 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 2022 Annual MD&A.

Economic uncertainty risks remain persistent with ongoing inflationary pressures, foreign bank hardships or failures, higher debt servicing costs and volatility in interest rate sensitive products. 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 March 31, 2023, 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 March 31, 2023, 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 26: Liquidity Analysis

At March 31, 2023						
(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	$ 66,621	$ —	$ —	$ —	$ —	$ 66,621
Marketable securities	54,741	—	—	—	—	54,741
Mortgages - corporate	345,071	1,038,456	521,653	120,129	11,435	2,036,744
Non-marketable securities	—	—	—	—	101,782	101,782
Derivative Financial Instruments	231	—	—	—	—	231
Other loans	2,406	—	—	—	—	2,406
	469,070	1,038,456	521,653	120,129	113,217	2,262,525
Uses of liquidity						
Term deposits	289,091	741,634	671,655	195,154	—	1,897,534
Loans payable	31,816	—	—	—	—	31,816
Other liabilities	3,560	620	1,859	1,538	—	7,577
	324,467	742,254	673,514	196,692	—	1,936,927
Net liquidity surplus (deficit)	**$ 144,603**	**$ 296,202**	**$ (151,861)**	**$ (76,563)**	**$ 113,217**	**$ 325,598**

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

Credit Risk

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

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

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

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

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

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

As part of our credit risk management process, we monitor our loan portfolio for early indicators of potential concern. The "monitored/arrears" category includes construction and commercial loans that may experience events such as slow sales, cost overruns or are located in geographic markets in which concerns have arisen. Loans in this category are included in stage 2.

Considering factors such as borrower equity, portfolio loan to value ratios and project liquidity, at March 31, 2023, 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 appropriate interest rate risk limits and articulates appetite for interest rate exposures.

An immediate and sustained parallel 1% increase to market interest rates on interest-bearing financial instruments at March 31, 2023 would have an estimated positive effect of $7.3 million (December 31, 2022 - positive effect of $8.3 million) to net income over the following twelve month period. An immediate and sustained parallel 1% decrease to market interest rates at March 31, 2023 would have an estimated adverse effect of $7.1 million (December 31, 2022 - adverse effect of $8.3 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 March 31, 2023 and December 31, 2022 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 27: Interest Rate Sensitivity at March 31, 2023

At March 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	$1,059,288	$189,684	$497,765	$233,708	$112,067	$ 11,084	$ 281,756	$ 2,385,352
Securitization	140,500	8,968	60,058	880,519	634,233	—	42,307	1,766,585
	1,199,788	198,652	557,823	1,114,227	746,300	11,084	324,063	4,151,937
Liabilities								
Corporate	31,816	289,091	741,634	671,655	195,154	—	7,577	1,936,927
Securitization	138,509	2,717	55,364	840,465	670,696	—	—	1,707,751
	170,325	291,808	796,998	1,512,120	865,850	—	7,577	3,644,678
Shareholders' Equity	—	—	—	—	—	—	507,259	507,259
GAP	**$1,029,463**	**$(93,156)**	**$(239,175)**	**$(397,893)**	**$(119,550)**	**$ 11,084**	**$ (190,773)**	**$ —**
YIELD SPREAD	**4.57 %**	**0.96 %**	**1.87 %**	**0.65 %**	**0.03 %**	**4.57 %**		

Table 28: Interest Rate Sensitivity at December 31, 2022

At December 31, 2022								
(in thousands except %)	Floating Rate	Within 3 Months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Non Interest Sensitive	Total
Assets								
Corporate	$1,047,280	$148,537	$520,269	$223,858	$ 76,963	$ 1,819	$ 264,394	$ 2,283,120
Securitization	132,705	5,314	51,191	730,114	831,979	—	44,253	1,795,556
	1,179,985	153,851	571,460	953,972	908,942	1,819	308,647	4,078,676
Liabilities								
Corporate	6,533	171,543	760,203	691,343	196,741	—	22,615	1,848,978
Securitization	131,077	4,259	48,331	688,660	868,061	—	—	1,740,388
	137,610	175,802	808,534	1,380,003	1,064,802	—	22,615	3,589,366
Shareholders' Equity	—	—	—	—	—	—	489,310	489,310
GAP	**$1,042,375**	**$(21,951)**	**$(237,074)**	**$(426,031)**	**$(155,860)**	**$ 1,819**	**$ (203,278)**	**$ —**
YIELD SPREAD	**4.97 %**	**1.34 %**	**1.49 %**	**0.79 %**	**0.04 %**	**4.87 %**		

Market Risk

Market risk is the exposure to adverse changes in the value of financial assets. Market risk includes price risk on marketable securities, execution risk, real estate values and commodity prices, among others.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of common shares with no par value. At March 31, 2023, there were 34,788,442 common shares outstanding (December 31, 2022 - 34,305,704). At May 8, 2023, there were 34,804,642 common shares outstanding.

We issued $6.9 million in new common shares in Q1 2023 (Q1 2022 - $3.4 million) under the DRIP, which has historically provided MCAN with a reliable source of new capital and existing shareholders an opportunity to acquire additional shares at a discount to market value. Under the DRIP, dividends paid to shareholders are automatically reinvested in common shares issued out of treasury at the weighted average trading price for the five days preceding such issue less a discount of 2% until further notice from MCAN.

In 2021, we filed a Prospectus Supplement to our Base Shelf prospectus establishing an ATM Program to issue up to $30 million common shares to the public from time to time over a 2 year period at the market prices prevailing at the time of sale. The volume and timing of distributions under the ATM Program will be determined at our sole discretion. During Q1 2023, we sold 8,300 common shares at a weighted average price of $15.03 for gross proceeds of $125,000 and net proceeds of $83,000 including $2,500 of commission paid to our agent and $39,000 of other share issuance costs under the ATM Program.

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 29: Contractual Commitments

At March 31, 2023 (in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Mortgage funding commitments	$ 397,163	$ 229,808	$ 58,346	$ —	$ —	$ 685,317
Commitment - TAS	500	387	—	—	—	887
Commitment - TAS Co	175	325	750	—	—	1,250
Commitment - TAS 4	—	8,177	5,497	3,926	—	17,600
Commitment - Harbour	—	4,175	2,500	1,000	—	7,675
Commitment - KSSMF	3,375	—	—	—	—	3,375
Commitment - Pearl	—	1,255	—	—	—	1,255
Commitment - Crown	—	3,300	7,747	—	—	11,047
Commitment - Fiera	—	4,354	4,203	—	1,500	10,057
Commitment - Broccolini	1,000	5,000	8,600	2,000	1,000	17,600
Commitment - KSHYF	1,000	3,000	850	—	28,844	33,694
	$ 403,213	**$ 259,781**	**$ 88,493**	**$ 6,926**	**$ 31,344**	**$ 789,757**

We retain mortgage servicing obligations relating to securitized insured multi family mortgages where balance sheet derecognition has been achieved. At March 31, 2023, these derecognized securitized insured multi family mortgages totalled $70 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 May 8, 2023, the Board declared a regular quarterly cash dividend of $0.36 per share to be paid on June 30, 2023 to shareholders of record as at June 15, 2023.

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. At this time, we expect our regular cash dividends for 2023 will be approximately equal to our taxable income, and therefore we do not expect to distribute a special stock dividend in 2024 relating to 2023 taxable income.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions for the quarters ended March 31, 2023 and March 31, 2022 and related party balances at March 31, 2023 and December 31, 2022 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 March 31, 2023, we had 130 team members (December 31, 2022 - 128).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

For a detailed discussion of critical accounting estimates and judgments, refer to the "Critical Accounting Estimates and Judgments" section of the 2022 Annual MD&A.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At March 31, 2023, 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 March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our control framework.

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

Net Corporate Mortgage Spread Income
Non-GAAP financial measure that is an indicator of net interest profitability of income-earning corporate assets less cost of funding for our corporate mortgage portfolio. It is calculated as the difference between corporate mortgage interest and term deposit interest and expenses as reported on the interim consolidated statements of income. Calculations can also be found in Tables 1, 2, and 4 of this MD&A.

Table 30: Net Corporate Mortgage Spread Income

(in thousands) **For the Periods Ended March 31**	**2023**	**2022**	**Change ($)**
Mortgage interest - corporate assets	$ 35,756	$ 20,508	
Term deposit interest and expenses	14,741	8,518	
Net Corporate Mortgage Spread Income	**$ 21,015**	**$ 11,990**	**$ 9,025**

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 6 of this MD&A.

Table 31: Net Securitized Mortgage Spread Income

(in thousands) **For the Periods Ended March 31**	**2023**	**2022**	**Change ($)**
Mortgage interest - securitized assets	$ 9,068	$ 7,257	
Interest on financial liabilities from securitization	7,501	5,249	
Net Securitized Mortgage Spread Income	**$ 1,567**	**$ 2,008**	**$ (441)**

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	March 31 2023	December 31 2022
Assets			
Corporate Assets			
Cash and cash equivalents		$ 66,621	$ 78,210
Marketable securities		54,741	53,743
Mortgages	6	2,036,744	1,939,494
Non-marketable securities	7	101,782	97,228
Equity investment in MCAP Commercial LP	8	109,167	106,168
Derivative financial instruments	11	231	—
Deferred tax assets		912	1,095
Other assets		15,154	7,182
		2,385,352	**2,283,120**
Securitization Assets			
Cash held in trust		32,978	34,531
Mortgages	10	1,724,278	1,751,303
Other assets	10	9,329	9,722
		1,766,585	**1,795,556**
		$ 4,151,937	**$ 4,078,676**
Liabilities and Shareholders' Equity			
Liabilities			
Corporate Liabilities			
Term deposits		$ 1,897,534	$ 1,819,830
Demand loans payable	19	31,816	6,532
Other liabilities		7,577	22,616
		1,936,927	**1,848,978**
Securitization Liabilities			
Financial liabilities from securitization	12	1,707,751	1,740,388
		1,707,751	**1,740,388**
		3,644,678	**3,589,366**
Shareholders' Equity			
Share capital	13	396,931	389,986
Contributed surplus		510	510
Retained earnings		109,833	98,990
Accumulated other comprehensive income		(15)	(176)
		507,259	**489,310**
		$ 4,151,937	**$ 4,078,676**

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 Quarters Ended March 31	Note	2023	2022
Net Investment Income - Corporate Assets			
Mortgage interest		$ 35,756	$ 20,508
Equity income from MCAP Commercial LP	8	8,003	5,219
Non-marketable securities		2,222	1,560
Marketable securities		927	966
Fees		571	584
Interest on cash and other income		1,029	117
Net gain on securities	15	999	1,189
		49,507	**30,143**
Term deposit interest and expenses	11	14,741	8,518
Mortgage expenses	16	1,801	1,554
Interest on loans payable		1,158	558
Other financial expenses	18	—	10
Provision for (recovery of) credit losses	17	1,185	(1,255)
		18,885	**9,385**
		30,622	**20,758**
Net Investment Income - Securitization Assets			
Mortgage interest		9,068	7,257
Other securitization income		390	66
		9,458	**7,323**
Interest on financial liabilities from securitization	11	7,501	5,249
Mortgage expenses	16	1,085	960
Recovery of credit losses	17	—	(1)
		8,586	**6,208**
		872	**1,115**
Operating Expenses			
Salaries and benefits		5,297	4,996
General and administrative		2,768	1,925
		8,065	**6,921**
Net Income Before Income Taxes		**23,429**	**14,952**
Provision for (recovery of) income taxes		152	(527)
Net Income		**$ 23,277**	**$ 15,479**
Basic and diluted earnings per share		$ 0.67	$ 0.52
Cash dividends per share		$ 0.36	$ 0.36
Stock dividends per share		$ —	$ 0.97
Weighted average number of basic and diluted shares (000's)		34,534	29,732

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 Quarters Ended March 31	Note	2023	2022
Net Income		$ 23,277	$ 15,479
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		144	—
Reclassification of net losses (gains) to net income		17	—
Total Other Comprehensive Income		**161**	**—**
Comprehensive Income		**$ 23,438**	**$ 15,479**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited) (in thousands of Canadian dollars)

For the Quarters Ended March 31	Note	2023	2022
Share Capital			
Balance, beginning of quarter		$ 389,986	$ 315,339
Share capital issued, net of share issuance costs	13	6,945	32,629
Balance, end of quarter		**396,931**	**347,968**
Contributed Surplus		**510**	**510**
Retained Earnings			
Balance, beginning of quarter		98,990	117,409
Net income		23,277	15,479
Dividends declared	13	(12,434)	(39,521)
Balance, end of quarter		**109,833**	**93,367**
Accumulated Other Comprehensive Income	11		
Balance, beginning of quarter		(176)	—
Other comprehensive income		161	—
Balance, end of quarter		**(15)**	**—**
Total Shareholders' Equity		**$ 507,259**	**$ 441,845**

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 Quarters Ended March 31	Note	2023	2022
Cash flows from (for):			
Operating Activities			
Net income		$ 23,277	$ 15,479
Adjustments to determine cash flows relating to operating activities:			
Provision for (recovery of) income taxes		152	(527)
Equity income from MCAP Commercial LP	8	(8,003)	(5,219)
Provision for (recovery of) credit losses	17	1,185	(1,256)
Net gain on securities		(999)	(1,189)
Amortization of cash flow hedges net losses (gains)		17	—
Amortization of securitized mortgage and liability transaction costs		2,216	1,708
Amortization of other assets		150	154
Changes in operating assets and liabilities:			
Marketable securities		—	(3,132)
Corporate and securitized mortgages		(72,651)	(171,063)
Non-marketable securities		(4,554)	(6,691)
Derivative Financial Instruments		(87)	—
Other assets		(7,627)	(1,957)
Cash held in trust		1,553	3,047
Term deposits		77,704	121,895
Financial liabilities from securitization		(33,612)	63,950
Other liabilities		(3,480)	(1,729)
Cash flows from (for) operating activities		**(24,759)**	**13,470**
Investing Activities			
Distributions from MCAP Commercial LP	8	5,004	4,187
Acquisition of capital and intangible assets		(71)	(30)
Cash flows from investing activities		**4,933**	**4,157**
Financing Activities			
Proceeds from issuance of common shares, net of share issuance costs		83	404
Net change in demand loans		25,284	49,997
Other loan payable to MCAP Securities Limited Partnership		—	(41,205)
Repayment of premises lease liability		(91)	(87)
Dividends paid		(17,039)	(17,368)
Cash flows from (for) financing activities		**8,237**	**(8,259)**
Increase (decrease) in cash and cash equivalents		(11,589)	9,368
Cash and cash equivalents, beginning of quarter		78,210	122,269
Cash and cash equivalents, end of quarter		**$ 66,621**	**$ 131,637**
Supplementary Information			
Interest received		$ 48,667	$ 27,801
Interest paid		26,382	16,354
Distributions received from securities		2,271	2,172

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 60
2. Basis of Preparation 60
3. Basis of Consolidation 60
4. Summary of Significant Accounting Policies 61
5. Summary of Significant Accounting Judgments and Estimates 61
6. Mortgages - Corporate 62
7. Non-Marketable Securities 70
8. Equity Investment in MCAP Commercial LP 71
9. Securitization Activities 71
10. Mortgages - Securitized 72
11. Derivative Financial Instruments 73
12. Financial Liabilities from Securitization 75
13. Share Capital 75
14. Dividends 75
15. Net Gain (Loss) on Securities 75
16. Mortgage Expenses 76
17. Provision for (Recovery of) Credit Losses 76
18. Related Party Disclosures 76
19. Credit Facilities 77
20. Capital Management 77
21. Financial Instruments 79
22. Commitments and Contingencies 82

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 employs leverage by issuing term deposits that are eligible for Canada Deposit Insurance Corporation deposit insurance and are sourced through a network of independent financial agents. The Company manages its capital and asset balances based on the regulations and limits of both the Tax Act and OSFI.

MCAN's wholly-owned subsidiary, 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 May 8, 2023.

2. Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for certain items carried at fair value as discussed in Note 4. The consolidated financial statements are presented in Canadian dollars.

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

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

3. Basis of Consolidation

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

4. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in the preparation of its interim consolidated financial statements are the same as those disclosed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2022.

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 March 31, 2023, MCAN uses the equity basis of accounting for the investment as it has significant influence in MCAP per IAS 28, *Investments in Associates and Joint Ventures*, as a result of its entitlement to a position on MCAP's Board of Directors.

Fair value of financial instruments

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

Impairment of financial assets

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

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

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

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.

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 March 31, 2023	Gross Principal	Allowance Stage 1	Allowance Stage 2	Allowance Stage 3	Allowance Total	Net Principal
Corporate Portfolio:						
Residential mortgages						
Insured	$ 187,218	$ —	$ —	$ —	$ —	$ 187,218
Uninsured	849,474	441	631	60	1,132	848,342
Uninsured - completed inventory	38,202	142	—	—	142	38,060
Construction loans	859,670	3,391	114	—	3,505	856,165
Commercial loans						
Multi family residential	102,515	303	98	—	401	102,114
Other commercial	6,450	7	—	1,598	1,605	4,845
	$ 2,043,529	**$ 4,284**	**$ 843**	**$ 1,658**	**$ 6,785**	**$ 2,036,744**

At December 31, 2022	Gross Principal	Allowance Stage 1	Allowance Stage 2	Allowance Stage 3	Allowance Total	Net Principal
Corporate Portfolio:						
Residential mortgages						
Insured	$ 144,569	$ —	$ —	$ —	$ —	$ 144,569
Uninsured	829,745	514	642	49	1,205	828,540
Uninsured - completed inventory	36,880	200	—	—	200	36,680
Construction loans	828,809	3,503	180	—	3,683	825,126
Commercial loans						
Multi family residential	98,715	348	129	—	477	98,238
Other commercial	6,374	8	25	—	33	6,341
	$ 1,945,092	**$ 4,573**	**$ 976**	**$ 49**	**$ 5,598**	**$ 1,939,494**

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, 2022.

At	March 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages								
Insured								
Insured performing	$ 178,272	$ 8,076	$ —	$ 186,348	$ 139,351	$ 4,707	$ —	$ 144,058
Monitored/Arrears	354	43	—	397	61	450	—	511
Impaired/Default	—	—	473	473	—	—	—	—
	178,626	8,119	473	187,218	139,412	5,157	—	144,569
Uninsured								
Very low/Low	349,388	71,104	—	420,492	361,995	69,030	—	431,025
Normal/Moderate	305,069	66,411	—	371,480	295,807	50,738	—	346,545
High/Higher	31,751	8,763	—	40,514	29,916	6,877	—	36,793
Monitored/Arrears	7,051	8,306	—	15,357	7,702	6,289	—	13,991
Impaired/Default	—	—	499	499	—	—	186	186
	693,259	154,584	499	848,342	695,420	132,934	186	828,540
Uninsured - completed inventory								
High/Higher	35,483	—	—	35,483	34,103	—	—	34,103
Monitored/Arrears	—	—	—	—	—	2,577	—	2,577
Impaired/Default	—	—	2,577	2,577	—	—	—	—
	35,483	—	2,577	38,060	34,103	2,577	—	36,680
Construction loans								
Normal/Moderate	29,241	—	—	29,241	5,886	—	—	5,886
High/Higher	785,056	—	—	785,056	779,814	—	—	779,814
Monitored/Arrears	—	9,780	—	9,780	—	7,341	—	7,341
Impaired/Default	—	—	32,088	32,088	—	—	32,085	32,085
	814,297	9,780	32,088	856,165	785,700	7,341	32,085	825,126
Commercial loans								
Multi family residential								
Normal/Moderate	24,819	—	—	24,819	37,012	—	—	37,012
High/Higher	37,574	39,721	—	77,295	33,820	27,406	—	61,226
	62,393	39,721	—	102,114	70,832	27,406	—	98,238
Other								
Normal/Moderate	1,363	—	—	1,363	1,261	—	—	1,261
Monitored/Arrears	—	—	—	—	—	5,080	—	5,080
Impaired/Default	—	—	3,482	3,482	—	—	—	—
	1,363	—	3,482	4,845	1,261	5,080	—	6,341
	$1,785,421	**$ 212,204**	**$ 39,119**	**$2,036,744**	**$1,726,728**	**$ 180,495**	**$ 32,271**	**$1,939,494**

(c) Mortgage allowances

Quarters Ended March 31	2023				2022			
	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	$ 514	$ 642	$ 49	$ 1,205	$ 1,754	$ 364	$ 13	$ 2,131
Transfer to stage 1 [3]	(214)	214	—	—	102	(102)	—	—
Transfer to stage 2 [3]	59	(59)	—	—	(151)	151	—	—
Transfer to stage 3 [3]	—	—	—	—	(27)	—	27	—
Net remeasurement of allowance [1]	(17)	(139)	11	(145)	(747)	(141)	—	(888)
Originations [4]	113	—	—	113	285	—	—	285
Mortgages derecognized or repaid [2]	(14)	(27)	—	(41)	(119)	(41)	(13)	(173)
Total provision (recovery)	(73)	(11)	11	(73)	(657)	(133)	14	(776)
Allowance, end of quarter	441	631	60	1,132	1,097	231	27	1,355
Uninsured - completed inventory								
Allowance, beginning of quarter	$ 200	$ —	$ —	$ 200	$ 337	$ 8	$ —	$ 345
Transfer to stage 1 [3]	(38)	38	—	—	—	—	—	—
Transfer to stage 2 [3]	14	(27)	13	—	—	—	—	—
Net remeasurement of allowance [1]	(26)	(11)	(13)	(50)	(137)	—	—	(137)
Mortgages derecognized or repaid [2]	(8)	—	—	(8)	—	(8)	—	(8)
Total recovery	(58)	—	—	(58)	(137)	(8)	—	(145)
Allowance, end of quarter	142	—	—	142	200	—	—	200
Construction loans								
Allowance, beginning of quarter	$ 3,503	$ 180	$ —	$ 3,683	$ 3,599	$ 216	$ —	$ 3,815
Transfer to stage 1 [3]	(358)	358	—	—	469	(469)	—	—
Transfer to stage 2 [3]	388	(388)	—	—	(603)	603	—	—
Net remeasurement of allowance [1]	(29)	(36)	—	(65)	(243)	(258)	—	(501)
Originations [4]	74	—	—	74	203	—	—	203
Mortgages derecognized or repaid [2]	(187)	—	—	(187)	(47)	—	—	(47)
Total recovery	(112)	(66)	—	(178)	(221)	(124)	—	(345)
Allowance, end of quarter	3,391	114	—	3,505	3,378	92	—	3,470

Quarters Ended March 31	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Commercial loans								
Multi family residential								
Allowance, beginning of quarter	$ 348	$ 129	$ —	$ 477	$ 150	$ 115	$ —	$ 265
Transfer to stage 1 [3]	(12)	12	—	—	—	—	—	—
Net remeasurement of allowance [1]	(33)	(43)	—	(76)	57	(38)	—	19
Originations [4]	—	—	—	—	30	—	—	30
Mortgages derecognized or repaid [2]	—	—	—	—	(15)	—	—	(15)
Total provision (recovery)	(45)	(31)	—	(76)	72	(38)	—	34
Allowance, end of quarter	303	98	—	401	222	77	—	299
Other								
Allowance, beginning of quarter	$ 8	$ 25	$ —	$ 33	$ 7	$ 84	$ —	$ 91
Transfer to stage 2 [3]	—	(25)	25	—	—	—	—	—
Net remeasurement of allowance [1]	(1)	—	1,573	1,572	(1)	(24)	—	(25)
Total provision (recovery)	(1)	(25)	1,598	1,572	(1)	(24)	—	(25)
Allowance, end of quarter	7	—	1,598	1,605	6	60	—	66
Total								
Allowance, beginning of quarter	$ 4,573	$ 976	$ 49	$ 5,598	$ 5,847	$ 787	$ 13	$ 6,647
Transfer to stage 1 [3]	(622)	622	—	—	571	(571)	—	—
Transfer to stage 2 [3]	461	(499)	38	—	(754)	754	—	—
Transfer to stage 3 [3]	—	—	—	—	(27)	—	27	—
Net remeasurement of allowance [1]	(106)	(229)	1,571	1,236	(1,071)	(461)	—	(1,532)
Originations [4]	187	—	—	187	518	—	—	518
Mortgages derecognized or repaid [2]	(209)	(27)	—	(236)	(181)	(49)	(13)	(243)
Total provision (recovery)	(289)	(133)	1,609	1,187	(944)	(327)	14	(1,257)
Allowance, end of quarter	**$ 4,284**	**$ 843**	**$ 1,658**	**$ 6,785**	**$ 4,903**	**$ 460**	**$ 27**	**$ 5,390**

[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.

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

At March 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	(6.48%)	4.15%	0.36%	4.67%	(8.36)%	3.47%
Greater Toronto Area	(9.12%)	4.11%	0.37%	4.86%	(8.69)%	3.61%
Greater Vancouver Area	(7.98%)	4.22%	0.37%	4.76%	(8.53)%	3.54%
Gross domestic product (annual change)	0.21%	2.01%	1.21%	2.14%	(1.42)%	1.89 %
Unemployment rate	5.78%	6.20%	5.28%	6.11%	6.78%	6.39%
Interest rates						
Prime rate	6.58%	5.47%	7.08%	5.97%	6.33%	5.22%

At December 31, 2022	Base		Favourable		Unfavourable	
Macroeconomic variables	Next 12 months [1]	2 to 5 years [1]	Next 12 months [1]	2 to 5 years [1]	Next 12 months [1]	2 to 5 years [1]
Housing Price Index (annual change)						
Canada	(7.28%)	3.97%	(0.49%)	4.48%	(9.16)%	3.24%
Greater Toronto Area	(8.93%)	3.74%	(0.51%)	4.67%	(9.51)%	3.37%
Greater Vancouver Area	(8.70%)	3.70%	(0.50%)	4.58%	(9.34)%	3.30%
Gross domestic product (annual change)	0.08%	1.64%	1.08%	1.76%	(1.55)%	1.51%
Unemployment rate	5.94%	6.53%	5.44%	6.44%	6.94%	6.72%
Interest rates						
Prime rate	6.53%	5.36%	7.03%	5.86%	6.28%	5.11%

At March 31, 2022	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	13.06%	2.27%	20.93%	2.78%	(1.99)%	1.76%
Greater Toronto Area	17.82%	2.82%	27.33%	3.57%	(2.54)%	2.83%
Greater Vancouver Area	14.40%	2.70%	27.57%	3.60%	(2.56)%	2.85%
Gross domestic product (annual change)	3.43%	2.23%	4.43%	2.35%	0.68 %	1.98%
Unemployment rate	5.42%	5.47%	4.92%	5.41%	6.67%	5.57%
Interest rates						
Prime rate	3.72%	4.33%	4.22%	4.83%	3.47%	4.08%

[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 inflationary and higher interest rate environment have 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 March 31, 2023, forecasts around these uncertainties have continued to evolve. Any new forward-looking information subsequent to March 31, 2023, 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 current inflationary and higher interest rate environment. It assumes the unemployment rate will increase. Gross domestic product is expected to increase slightly in 2023 and gradually increase going forward. Housing prices are expected to decrease significantly in the short-term before increasing in the mid to long term. The favourable scenario assumes an increase in housing prices, lower unemployment, and faster increases to gross domestic product compared to the base scenario. The unfavourable scenario represents the possibility of a recession and a slower recovery, resulting in increases in the unemployment rate and decreases in housing prices and gross domestic product.

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 March 31, 2023 would be approximately $6,001 (December 31, 2022 - $4,829) compared to the reported ECL for corporate mortgages of $6,785 (December 31, 2022 - $5,598).

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 March 31, 2023 would be approximately $8,974 (December 31, 2022 - $8,504) compared to the reported ECL for corporate mortgages of $6,785 (December 31, 2022 - $5,598).

(d) Mortgage arrears

Mortgages past due but not impaired are as follows:

At March 31, 2023	1 to 30 days	31 to 60 days	61 to 90 days	Total
Residential mortgages				
Insured	$ 353	$ 44	$ —	$ 397
Uninsured	10,570	3,310	1,477	15,357
	$ 10,923	**$ 3,354**	**$ 1,477**	**$ 15,754**

At December 31, 2022	1 to 30 days	31 to 60 days	61 to 90 days	Total
Residential mortgages				
Insured	$ 60	$ 234	$ 217	$ 511
Uninsured	11,454	1,825	712	13,991
Uninsured - completed inventory	2,577	—	—	2,577
Commercial loans	5,080	—	—	5,080
	$ 19,171	**$ 2,059**	**$ 929**	**$ 22,159**

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

At March 31, 2023	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Ontario	$ —	$ 161	$ —	$ —	$ —	$ 161
Alberta	234	338	2,577	—	3,482	6,631
British Columbia	—	—	—	32,088	—	32,088
Atlantic Provinces	239	—	—	—	—	239
	$ 473	**$ 499**	**$ 2,577**	**$ 32,088**	**$ 3,482**	**$ 39,119**

At December 31, 2022	Residential Mortgages		
	Uninsured	Construction Loans	Total
Alberta	$ 186	$ —	$ 186
British Columbia	—	32,085	32,085
	$ 186	**$ 32,085**	**$ 32,271**

At March 31, 2023, the total appraised value of the collateral related to the impaired uninsured - completed inventory, commercial and construction loans was $63,282.

(e) Geographic analysis

At March 31, 2023	Residential Mortgages	Construction Loans	Commercial Loans	Total	
Ontario	$ 897,772	$ 176,904	$ 94,250	$ 1,168,926	57.3 %
Alberta	62,070	135,606	3,621	201,297	9.9 %
British Columbia	81,516	543,655	—	625,171	30.7 %
Quebec	18,177	—	4,105	22,282	1.1 %
Atlantic Provinces	7,237	—	—	7,237	0.4 %
Other	6,848	—	4,983	11,831	0.6 %
	$ 1,073,620	**$ 856,165**	**$ 106,959**	**$ 2,036,744**	**100.0 %**

At December 31, 2022	Residential Mortgages	Construction Loans	Commercial Loans	Total	
Ontario	$ 842,251	$ 183,088	$ 90,377	$ 1,115,716	57.6 %
Alberta	65,263	142,151	5,109	212,523	11.0 %
British Columbia	70,772	499,887	—	570,659	29.4 %
Quebec	19,284	—	4,113	23,397	1.2 %
Atlantic Provinces	6,547	—	—	6,547	0.3 %
Other	5,672	—	4,980	10,652	0.5 %
	$ 1,009,789	**$ 825,126**	**$ 104,579**	**$ 1,939,494**	**100.0 %**

(f) Other information

Outstanding commitments for future fundings of mortgages are as follows:

At	March 31, 2023	December 31, 2022
Residential mortgages		
Insured	$ 62,332	$ 32,270
Uninsured	42,338	19,804
Uninsured - completed inventory	655	129
Construction loans	579,992	542,609
	$ 685,317	**$ 594,812**

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 March 31, 2023 was $2,032,097 (December 31, 2022 - $1,939,615). Fair values are calculated on a discounted cash flow basis using the prevailing market rates for similar mortgages.

At March 31, 2023, insured residential mortgages included $109,023 (December 31, 2022 - $63,229) of mortgages that had been securitized through the market MBS program; however, the underlying MBS security has been retained by the Company for liquidity purposes.

7. Non-Marketable Securities

At	March 31, 2023	December 31, 2022
KingSett High Yield Fund	$ 54,234	$ 52,642
Securitization Notes	—	1,022
TAS LP 3	9,214	8,714
KingSett Senior Mortgage Fund LP	11,805	9,462
TAS LP 3 Co-Invest LP	3,750	3,750
Crown Realty V Limited Partnership	8,962	8,962
Pearl Group Growth Fund LP	1,745	1,745
TAS Impact Development LP 4	2,400	2,400
Broccolini Limited Partnership No. 8	2,400	2,400
Fiera Real Estate Development Fund IV, LP	4,947	3,806
Harbour Equity JV Development Fund VI	2,325	2,325
	$ 101,782	**$ 97,228**

KingSett High Yield Fund ("KSHYF"): The Company holds an investment in the KSHYF representing a 6.0% equity interest (December 31, 2022 - 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 March 31, 2023, the Company's total remaining commitment to the KSHYF was $33,694 (December 31, 2022 - $34,694), consisting of $4,850 available for capital advances for the KSHYF (December 31, 2022 - $5,850) and $28,844 that supports credit facilities throughout the life of the KSHYF (December 31, 2022 - $28,844).

Securitization Notes: During 2019, the Company invested $18,000 in Class A Securitization Notes. The issuer of the Securitization Notes was a wholly-owned subsidiary of MCAP. The final distribution date was March 15, 2023. During Q1 2023, the Company received $1,022 (Q1 2022 - $1,242) in principal repayment and recorded $8 (Q1 2022 - $114) of interest income at the contractual rate of the Securitization Notes in net investment income from non-marketable securities on the interim consolidated statements of income.

TAS LP 3 ("TAS"): The Company holds an investment in TAS representing a 9.7% partnership interest (December 31, 2022 - 9.7%). At March 31, 2023, the Company's total remaining commitment is $887. The Company advances its proportionate share as TAS invests in, and develops, residential and mixed use properties with a focus on assets that drive environmental and social impacts.

KingSett Senior Mortgage Fund LP ("KSSMF"): The Company holds an investment in KSSMF representing a 1.8% partnership interest (December 31, 2022 - 1.5%). At March 31, 2023, the Company's total remaining commitment is $3,375. The Company advances its proportionate share as KSSMF invests in a diversified portfolio of mortgage loans secured by Canadian residential and commercial real estate.

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, 2022 - 34.8%). At March 31, 2023, the Company's total remaining commitment is $1,250. The Company advances its proportionate share as TAS Co invests in urban residential and mixed use properties that are being developed under repositioning plans with a focus on environmental and social impacts.

Pearl Group Growth Fund LP ("Pearl"): The Company holds an investment in Pearl, in which it has a 6.9% partnership interest (December 31, 2022 - 6.9%). At March 31, 2023, the Company's total remaining commitment is $1,255. 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.

Crown Realty V Limited Partnership ("Crown"): During 2022, the Company invested in Crown representing a 7.7% partnership interest, with an additional $11,047 remaining commitment. 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 Impact Development LP 4 ("TAS 4"): During 2022, the Company invested in TAS 4 representing a 16.6% partnership interest, with an additional $17,600 remaining commitment. 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.

Broccolini Limited Partnership No. 8 ("Broccolini"): During 2022, the Company invested in Broccolini representing a 5.7% partnership interest, with an additional $17,600 remaining commitment. 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.

Harbour Equity JV Development Fund VI ("Harbour"): During 2022, the Company invested in Harbour representing a 12.1% partnership interest, with an additional $7,675 remaining commitment. 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.

Fiera Real Estate Development Fund IV, LP ("Fiera"): During 2022, the Company invested in Fiera representing an 6.5% partnership interest, with an additional $10,057 remaining commitment. 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.

8. Equity Investment in MCAP Commercial LP

At March 31, 2023, the Company held a 13.83% equity interest in MCAP (December 31, 2022 - 13.65%), representing 4.0 million units held by MCAN (December 31, 2022 - 4.0 million) of the 28.9 million total outstanding MCAP partnership units (December 31, 2022 - 29.3 million).

The Company recognizes equity income from MCAP on a one-month lag such that equity income from MCAP is based on MCAP's net income for the periods ended February 28 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 Quarters Ended March 31	**2023**	**2022**
Balance, beginning of quarter	$ 106,168	$ 96,186
Equity income	8,003	5,219
Dilution gain	—	—
Distributions received	(5,004)	(4,187)
Balance, end of quarter	**$ 109,167**	**$ 97,218**

Selected MCAP financial information is as follows:

At	**February 28 2023**	**November 30 2022**
MCAP's balance sheet:		
Assets	$ 51,867,022	$ 50,903,680
Liabilities	51,082,426	50,117,275
Equity	784,596	786,405

For the Quarters Ended February 28	**2023**	**2022**
MCAP's revenue and net income:		
Revenue	$ 251,287	$ 198,759
Net income	$ 58,116	$ 37,439

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.

During Q1 2023, MCAN securitized $10,968 of insured residential mortgages through the market MBS and CMB programs (Q1 2022 - $136,560).

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	2029	2030	Total
At March 31, 2023	$ 15,153	$ 8,363	$ 13,210	$ 32,801	**$ 69,527**

10. Mortgages - Securitized

(a) Summary

	Gross Principal	Allowance Total	Net Principal
At March 31, 2023	**$ 1,724,278**	**$ —**	**$ 1,724,278**
At December 31, 2022	**$ 1,751,303**	**$ —**	**$ 1,751,303**

(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, 2022.

At	March 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Insured Performing	$1,624,522	$ 95,660	$ —	$1,720,182	$1,654,140	$ 93,724	$ —	$1,747,864
Monitored/Arrears	2,220	1,681	—	3,901	803	2,086	—	2,889
Impaired/Default	—	—	195	195	—	—	550	550
	$1,626,742	**$ 97,341**	**$ 195**	**$1,724,278**	**$1,654,943**	**$ 95,810**	**$ 550**	**$1,751,303**

(c) Mortgage allowances

The allowance for credit losses on the securitized portfolio at March 31, 2023 was $nil (December 31, 2022 - $nil). The provision for credit losses recorded during Q1 2023 was $nil (Q1 2022 - recovery of credit losses of $1).

(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 March 31, 2023	$ 3,239	$ 536	$ 126	**$ 3,901**
At December 31, 2022	$ 1,641	$ 1,248	$ —	**$ 2,889**

Impaired securitized mortgages are as follows:

At	March 31, 2023	December 31, 2022
Ontario	$ 195	$ 447
Atlantic Provinces	—	103
	$ 195	**$ 550**

(e) Geographic analysis

At	March 31, 2023		December 31, 2022	
Ontario	$ 1,490,684	86.5 %	$ 1,514,305	86.4 %
Alberta	138,560	8.0 %	139,420	8.0 %
British Columbia	57,631	3.3 %	57,828	3.3 %
Quebec	7,344	0.4 %	7,896	0.5 %
Atlantic Provinces	21,592	1.3 %	22,817	1.3 %
Other	8,467	0.5 %	9,037	0.5 %
	$ 1,724,278	**100.0 %**	**$ 1,751,303**	**100.0 %**

(f) Other information

Capitalized transaction costs are included in mortgages and are amortized using the EIM. At March 31, 2023, the unamortized capitalized transaction cost balance was $10,269 (December 31, 2022 - $11,268).

The fair value of the securitized mortgage portfolio at March 31, 2023 was $1,658,696 (December 31, 2022 - $1,675,759).

Other assets of $9,329 at March 31, 2023 (December 31, 2022 - $9,722) includes interest-only strips of $1,259 (December 31, 2022 - $1,325) from the Company's CMB insured multi family securitizations.

11. Derivative Financial Instruments

The Company enters 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 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 March 31, 2023, the Company had $231 of derivative financial instruments outstanding (December 31, 2022 - $nil).

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

For the Periods Ended March 31	2023	2022
Liabilities - Interest Rate Risk		
Change in value of hedged item for ineffectiveness measurement	$ (144)	$ —
Change in value of hedging item for ineffectiveness measurement	144	—
Hedge Ineffectiveness	—	—
Hedging losses recognized in OCI	144	—
Amount reclassified from accumulated other comprehensive income to net income	17	—
Effect on OCI	$ 161	$ —

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

For the Periods Ended March 31	2023	2022
Liabilities - Interest Rate Risk		
Accumulated other comprehensive income at the beginning of the year	$ (176)	$ —
OCI	161	—
Accumulated Other Comprehensive Income at the End of the Year	$ (15)	$ —
OCI on designated hedges	$ 161	$ —
OCI on de-designated hedges	$ —	$ —

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

At March 31, 2023	Notional Amount	Average Rate on Bond Forwards	Derivative Asset	Derivative Liability	Net Fair Market Value
Interest Rate Risk - Cash Flow Hedges					
Within 1 year	$ 49,400	1.80 %	$ 271	$ 40	$ 231
Total Derivatives in Qualifying Hedging Relationships	$ 49,400	1.80 %	$ 271	$ 40	$ 231

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	March 31, 2023	December 31, 2022
2023	$ 44,079	$ 52,590
2024	163,429	167,671
2025	506,349	520,989
2026	625,627	635,435
2027	368,267	363,703
	$ 1,707,751	**$ 1,740,388**

13. Share Capital

For the Periods Ended March 31	2023		2022	
	Number of Shares	Share Capital	Number of Shares	Share Capital
Balance, January 1	34,305,704	$ 389,986	29,620,939	$ 315,339
Issued				
Dividend reinvestment plan	474,438	6,862	199,049	3,404
At-the-market program	8,300	83	24,300	404
Stock dividend	—	—	1,528,633	28,821
Balance, March 31	**34,788,442**	**$ 396,931**	**31,372,921**	**$ 347,968**

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%.

On February 22, 2022, the Board declared a special stock dividend of $0.97 per share paid on March 31, 2022 to shareholders of record as of March 15, 2022. The Company issued $28,821 in common shares out of treasury to shareholders (with fractional shares paid in cash) at the weighted average trading price for the five days preceding the record date of $18.9326.

In 2021, the Company filed a Prospectus Supplement to its Base Shelf prospectus establishing an at-the-market equity program ("ATM Program") to issue up to $30,000 common shares to the public from time to time over a 2 year period at the market prices prevailing at the time of sale. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion. The Company began issuing shares under the ATM Program in 2022. During Q1 2023, the Company sold 8,300 common shares at a weighted average price of $15.03 for gross proceeds of $125 and net proceeds of $83 including $3 of agent commission paid and $39 of other share issuance costs under the ATM Program.

The Company had no potentially dilutive instruments at March 31, 2023 or December 31, 2022.

14. Dividends

On May 8, 2023, the Board declared a quarterly regular cash dividend of $0.36 per share to be paid on June 30, 2023 to shareholders of record as of June 15, 2023.

15. Net Gain (Loss) on Securities

For the Quarters Ended March 31	2023	2022
Net realized gain (loss) on marketable securities	$ —	$ (1,786)
Net unrealized gain (loss) on marketable securities	999	2,975
	$ 999	**$ 1,189**

16. Mortgage Expenses

Corporate assets

For the Quarters Ended March 31	2023	2022
Mortgage servicing expense	$ 1,307	$ 1,157
Letter of credit expense	300	212
Other mortgage expenses	194	185
	$ 1,801	**$ 1,554**

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 Q1 2023 of $1,085 (Q1 2022 - $960) consist primarily of mortgage servicing expenses.

17. Provision for (Recovery of) Credit Losses

For the Quarters Ended March 31	Note	2023	2022
Corporate portfolio:			
Stage 1 - provisions for (recoveries of) performing mortgages	6	$ (289)	$ (944)
Stage 2 - provisions for (recoveries of) performing mortgages	6	(133)	(327)
Stage 3 - provisions for (recoveries of) impaired mortgages	6	1,609	14
		1,187	(1,257)
Other provisions (recoveries), net		(2)	2
Provision for (recovery of) credit losses		**1,185**	**(1,255)**
Securitized portfolio:			
Stage 1 - provisions for (recoveries of) performing mortgages	10	—	(1)
Provision for (recovery of) credit losses		**$ —**	**$ (1)**

18. Related Party Disclosures

Transactions with MCAP

In Q1 2023, the Company entered into related party transactions with MCAP as follows:

- Purchase of mortgage origination and administration services of $1,635 (Q1 2022 - $1,451)
- Purchase of uninsured residential mortgages of $8,339 (Q1 2022 - $2,342)
- 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 $12,405 (Q1 2022 - $32,880) under this agreement and received revenue of $118 (Q1 2022 - $369) 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 March 31	Q1 2023		Q1 2022	
	RSU	PSU	RSU	PSU
Units outstanding, beginning of period	104,994	100,340	102,440	86,280
New units granted	43,460	55,693	32,808	41,799
Units issued as dividends	5,726	5,921	7,960	6,741
Units vested	(25,556)	(20,256)	(22,673)	(18,587)
Units forfeited	(357)	(357)	—	—
Units outstanding, end of period	**128,267**	**141,341**	**120,535**	**116,233**
Compensation expense for the period	$ 207	$ 173	$ 226	$ 153
Outstanding liability, end of period	$ 727	$ 836	$ 813	$ 993

Of the total outstanding PSU units at Q1 2023 and Q1 2022, the Company has recorded a liability on all of these units.

Executive Share Purchase Plan

At March 31, 2023, $2,211 of loans were outstanding under the Executive Share Purchase Plan (the "Share Purchase Plan") (December 31, 2022 - $2,276). The shares are pledged as security for the loans and had a fair value of $2,598 at March 31, 2023 (December 31, 2022 - $2,617). In Q1 2023, MCAN recognized $44 of interest income (Q1 2022 - $18) on the Share Purchase Plan loans.

Employee Share Ownership Plan

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

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, 2022 - prime plus 0.25%), with a facility limit of $220,000 (December 31, 2022 - $220,000). The facility is due and payable upon demand. At March 31, 2023, the outstanding loan principal payable was $nil (December 31, 2022 - $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 March 31, 2023, there were letters of credit in the amount of $44,731 issued (December 31, 2022 - $47,988) and additional letters of credit in the amount of $26,627 committed but not issued (December 31, 2022 - $25,965).

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 March 31, 2023, the outstanding facility balance was $nil (December 31, 2022 - $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, 2022 - $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 March 31, 2023, the outstanding loan principal payable was $31,610 (December 31, 2022 - $6,370).

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.

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	March 31, 2023	December 31, 2022
Regulatory ratios (OSFI)		
Share capital	$ 396,931	$ 389,986
Contributed surplus	510	510
Retained earnings	109,833	98,990
Accumulated other comprehensive income	(15)	(176)
Deduction for equity investment in MCAP [1]	(58,441)	(57,201)
Eligible stage 1 and stage 2 allowances [3]	—	357
Common Equity Tier 1 and Tier 1 Capital [3] (A)	**448,818**	**432,466**
Tier 2 Capital [3]	5,127	5,192
Total Capital [3]	**$ 453,945**	**$ 437,658**
Total exposures/Regulatory assets		
Consolidated assets	$ 4,151,937	$ 4,078,676
Less: deduction for equity investment in MCAP [1]	(58,441)	(57,201)
Other adjustments [2]	4,868	2,994
Total on-balance sheet exposures	**4,098,364**	**4,024,469**
Mortgage and investment funding commitments	789,757	704,139
Less: conversion to credit equivalent amount (50%)	(394,879)	(352,070)
Letters of credit	44,731	47,988
Less: conversion to credit equivalent amount (50%)	(22,366)	(23,994)
Off-balance sheet items	**417,243**	**376,063**
Total exposures/Regulatory assets (B)	**$ 4,515,607**	**$ 4,400,532**
Leverage ratio (A / B)	**9.94%**	**9.83%**

[1] The deduction for the equity investment in MCAP is equal to the equity investment balance less 10% of shareholders' equity and eligible stage 1 and stage 2 allowances.
[2] Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.
[3] Effective March 31, 2020, the total capital ratio reflects the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital are included in CET 1 capital. The adjustment to CET 1 capital 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.

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.

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 March 31, 2023	Level 1	Level 2	Level 3	Total	Carrying Value
Assets measured at FVPL					
Marketable securities	$ 54,741	$ —	$ —	$ 54,741	$ 54,741
Non-marketable securities - KSHYF [1]	—	—	54,234	54,234	54,234
Non-marketable securities - TAS [9]	—	—	9,214	9,214	9,214
Non-marketable securities - KSSMF [1]	—	—	11,805	11,805	11,805
Non-marketable securities - TAS Co [9]	—	—	3,750	3,750	3,750
Non-marketable securities - Crown [8]	—	—	8,962	8,962	8,962
Non-marketable securities - Pearl [9]	—	—	1,745	1,745	1,745
Non-marketable securities - TAS 4 [8]	—	—	2,400	2,400	2,400
Non-marketable securities - Broccolini [8]	—	—	2,400	2,400	2,400
Non-marketable securities - Fiera [8]	—	—	4,947	4,947	4,947
Non-marketable securities - Harbour [8]	—	—	2,325	2,325	2,325
	$ 54,741	**$ —**	**$ 101,782**	**$ 156,523**	**$ 156,523**
Assets measured at FVOCI					
Derivative financial instruments - assets	$ —	$ 231	$ —	$ 231	$ 231
	$ —	**$ 231**	**$ —**	**$ 231**	**$ 231**
Assets measured at amortized cost for which fair values are disclosed					
Cash and cash equivalents	$ 66,621	$ —	$ —	$ 66,621	$ 66,621
Mortgages - corporate [3]	—	—	2,032,097	2,032,097	2,036,744
Other assets - other loans [4]	—	—	2,406	2,406	2,406
Securitization program cash held in trust	32,978	—	—	32,978	32,978
Mortgages - securitized [3]	—	—	1,658,696	1,658,696	1,724,278
	$ 99,599	**$ —**	**$ 3,693,199**	**$ 3,792,798**	**$ 3,863,027**
Liabilities measured at amortized cost for which fair values are disclosed					
Term deposits [6]	$ —	$ —	$ 1,885,631	$ 1,885,631	$ 1,897,534
Demand loans payable [5]	—	—	31,816	31,816	31,816
Other liabilities - corporate [5]	—	—	7,577	7,577	7,577
Financial liabilities from securitization [7]	—	—	1,626,239	1,626,239	1,707,751
	$ —	**$ —**	**$ 3,551,263**	**$ 3,551,263**	**$ 3,644,678**

At December 31, 2022	Level 1	Level 2	Level 3	Total	Carrying Value
Assets measured at FVPL					
Marketable securities	$ 53,743	$ —	$ —	$ 53,743	$ 53,743
Non-marketable securities - KSHYF [1]	—	—	52,642	52,642	52,642
Non-marketable securities - Securitization Notes [2]	—	—	1,022	1,022	1,022
Non-marketable securities - TAS [9]	—	—	8,714	8,714	8,714
Non-marketable securities - KSSMF [1]	—	—	9,462	9,462	9,462
Non-marketable securities - TAS Co [9]	—	—	3,750	3,750	3,750
Non-marketable securities - Crown [8]	—	—	8,962	8,962	8,962
Non-marketable securities - Pearl [9]	—	—	1,745	1,745	1,745
Non-marketable securities - TAS 4 [8]	—	—	2,400	2,400	2,400
Non-marketable securities - Broccolini [8]	—	—	2,400	2,400	2,400
Non-marketable securities - Fiera [8]	—	—	3,806	3,806	3,806
Non-marketable securities - Harbour [8]	—	—	2,325	2,325	2,325
	$ 53,743	**$ —**	**$ 97,228**	**$ 150,971**	**$ 150,971**
Assets measured at amortized cost for which fair values are disclosed					
Cash and cash equivalents	$ 78,210	$ —	$ —	$ 78,210	$ 78,210
Mortgages - corporate [3]	—	—	1,939,615	1,939,615	1,939,494
Other assets - other loans [4]	—	—	2,276	2,276	2,276
Securitization program cash held in trust	34,531	—	—	34,531	34,531
Mortgages - securitized [3]	—	—	1,675,759	1,675,759	1,751,303
	$ 112,741	**$ —**	**$ 3,617,650**	**$ 3,730,391**	**$ 3,805,814**
Liabilities measured at amortized cost for which fair values are disclosed					
Term deposits [6]	$ —	$ —	$ 1,792,257	$ 1,792,257	$ 1,819,830
Demand loan payable [6]	—	—	6,532	6,532	6,532
Other liabilities - corporate [5]	—	—	22,616	22,616	22,616
Financial liabilities from securitization [7]	—	—	1,641,692	1,641,692	1,740,388
	$ —	**$ —**	**$ 3,463,097**	**$ 3,463,097**	**$ 3,589,366**

[1] Fair value is based on the redemption value.
[2] Fair value of investment in securitized notes is determined by discounting the expected future cash flows of the future fee income from the renewals of a securitized insured mortgage portfolio. The significant unobservable input is the discount rate.
[3] Fair value of corporate and securitized fixed rate mortgages are calculated based on discounting the expected future cash flows of the mortgages, adjusting for credit risk and prepayment assumptions at current market rates for offered mortgages based on term, contractual maturities and product type. For 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 March 31	2023	2022
Balance, beginning of quarter	$ 97,228	$ 64,946
Advances / Purchases	5,576	7,933
Repayments / Dispositions	(1,022)	(1,242)
Balance, end of quarter	**$ 101,782**	**$ 71,637**

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
Chief Information Officer, Canadian Tire Financial Services
Member of Audit Committee
Member of Enterprise Risk Management and Compliance Committee
Director since May 2022

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

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

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

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

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

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

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

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

EXECUTIVE OFFICERS

Karen Weaver
President and Chief Executive Officer

Floriana Cipollone
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

Nazeera Khan
Vice President and Chief Audit Officer

Alysha Rahim
Vice President, Finance

Peter Ryan
Vice President, Controller

Justin Silva
Vice President, Treasurer

CORPORATE INFORMATION

Head Office
200 King Street West, Suite 600
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 2023 First Quarter Report is available for viewing/printing on our website at www.mcanfinancial.com, and also on SEDAR at www.sedar.com.

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

Annual General Meeting of Shareholders
Tuesday, May 9, 2023
4:30pm (Toronto time)
All shareholders and prospective investors are invited to attend.

INVESTING IN COMMUNITIES AND HOMES FOR CANADIANS



MCAN Financial Group
200 King Street West, Suite 600, Toronto, ON M5H 3T4
mcanfinancial.com
TSX: MKP