MCAN FINANCIAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Q1 2025 ENDING MARCH 31, 2025

MCANFINANCIAL.COM
TSX: MKP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

MCAN Mortgage Corporation is doing business as ("d/b/a") MCAN Financial Group ("MCAN", the "Company" or "we"). This Management's Discussion and Analysis of Operations ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements and accompanying notes for the quarter ended March 31, 2025 and the audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2024. These items and additional information regarding MCAN, including continuous disclosure materials such as the Annual Information Form are available on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca and our website at www.mcanfinancial.com. Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2024 remain substantially unchanged. Information has been presented as of May 7, 2025.

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A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. All of the forward-looking information in this MD&A is qualified by this cautionary note. Often, but not always, forward-looking information can be identified by the use of words such as "may," "believe," "will," "anticipate," "expect," "planned," "estimate," "project," "future," and variations of these or similar words or other expressions that are predictions of, or indicate, future events and trends and that do not relate to historical matters. Forward-looking information in this MD&A includes, among others, statements and assumptions with respect to:

- the current business environment, economic environment and outlook;
- possible or assumed future results;
- our ability to create shareholder value;
- our business goals and strategy;
- the potential impact of new regulations and changes to existing regulations as well as any changes in tax legislation;
- 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, including changes in tariffs, international economic uncertainties, failures of international financial institutions and geopolitical uncertainties and their impact on the Canadian economy;
- sufficiency of our access to liquidity and capital resources;
- the timing and effect of interest rate changes on our cash flows; and
- the declaration and payment of dividends.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information reflects management's current beliefs and is based on information currently available to management. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information.

The material factors or assumptions that we identified and were applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking information, include, but are not limited to:

- our ability to successfully implement and realize on our business goals and strategy;
- government regulation of our business and the cost to us of such regulation;
- factors and assumptions regarding interest rates, including the effect of Bank of Canada actions already taken;
- the effect of supply chain issues;
- the effect of inflation;
- housing sales and residential mortgage borrowing activities;
- the effect of household debt service levels;
- the effect of competition;
- systems failure or cyber and security breaches;
- the availability of funding and capital to meet our requirements;
- investor appetite for securitization products;
- the value of mortgage originations;
- the expected spread between interest earned on mortgage portfolios and interest paid on deposits;
- the relative uncertainty and volatility of real estate markets;
- acceptance of our products in the marketplace;
- the stage of the real estate cycle and the maturity phase of the mortgage market;
- impact on housing demand from changing population demographics and immigration patterns;
- our ability to forecast future changes to borrower credit and credit scores, loan to value ratios and other forward-looking factors used in assessing expected credit losses and rates of default;
- availability of key personnel;
- our operating cost structure;
- the current tax regime; and
- operations within, and market conditions relating to, our equity and other investments.

External geopolitical conflicts and government and Bank of Canada economic policy have resulted in uncertainty relating to the Company's internal expectations, estimates, projections, assumptions and beliefs, including with respect to the Canadian economy, employment conditions, interest rates, supply chain issues, international trade, inflation, levels of housing activity and household debt service levels. There can be no assurance that such expectations, estimates, projections, assumptions and beliefs will continue to be valid. The impacts that any further or escalating geopolitical conflicts will have on our business is uncertain and difficult to predict.

Reliance should not be placed on forward-looking information because it involves known and unknown risks, uncertainties and other factors, which may cause actual results to differ materially from anticipated future results expressed or implied by such forward-looking information. Factors that could cause actual results to differ materially from those set forth in the forward-looking information include, but are not limited to, the risk that any of the above opinions, estimates or assumptions are inaccurate and the other risks and uncertainties referred to in our Annual Information Form for the year ended December 31, 2024, 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 2025

(in thousands except for per share amounts and %)	Q1 2025	Q4 2024	Change (%)	Q1 2024	Change (%)
For the Periods Ended					
Income Statement Highlights					
Net interest income - non-securitized assets	$ 20,664	$ 21,091	(2%)	$ 21,346	(3%)
Net interest income - securitized assets	$ 3,089	$ 3,570	(13%)	$ 2,643	17%
Mortgage interest - non-securitized assets [A]	$ 45,148	$ 47,209	(4%)	$ 48,008	(6%)
Term deposit interest and expenses [B]	$ 24,882	$ 26,642	(7%)	$ 26,070	(5%)
Net non-securitized mortgage spread income[1] [A-B]	$ 20,266	$ 20,567	(1%)	$ 21,938	(8%)
Pre-provision pre-tax income[1]	$ 19,375	$ 7,564	156%	$ 22,280	(13%)
Equity income from MCAP Commercial LP	$ 5,571	$ 7,227	(23%)	$ 7,183	(22%)
Net gain (loss) on securities	$ 1,099	$ (11,326)	110%	$ 27	3,970%
Net income	$ 16,590	$ 7,725	115%	$ 23,220	(29%)
Basic and diluted earnings per share	$ 0.43	$ 0.20	115%	$ 0.65	(34%)
Dividends per share - cash	$ 0.41	$ 0.39	5%	$ 0.39	5%
Next quarter's dividend per share - cash	$ 0.41				
Return on average shareholders' equity [1]	10.99 %	5.14 %	5.85%	17.09 %	(6.10%)
Taxable income per share [2]	$ 0.45	$ 0.51	(12%)	$ 0.67	(33%)
Spreads					
Spread of non-securitized mortgages over term deposit interest and expenses [1]	2.89 %	2.83 %	0.06%	3.14 %	(0.25%)
Spread of securitized mortgages over liabilities [1]	0.50 %	0.54 %	(0.04%)	0.46 %	0.04%
Average term to maturity (in months)					
Mortgages - non-securitized	9.1	9.5	(4%)	11.5	(21%)
Term deposits	17.7	18.5	(4%)	18.2	(3%)

At	March 31 2025	December 31 2024	Change (%)	March 31 2024	Change (%)
Balance Sheet Highlights					
Total assets	$ 5,443,350	$ 5,347,565	2%	$ 4,894,436	11%
Mortgages - non-securitized	$ 2,544,500	$ 2,464,091	3%	$ 2,385,267	7%
Mortgages - securitized	$ 2,353,531	$ 2,419,871	(3%)	$ 2,094,637	12%
Total liabilities	$ 4,835,985	$ 4,748,376	2%	$ 4,318,019	12%
Shareholders' equity	$ 607,365	$ 599,189	1%	$ 576,417	5%
Capital Ratios					
Income tax assets to capital ratio [2]	5.41	5.24	3%	5.14	5%
CET 1 & Tier 1 capital ratio [4]	19.12 %	19.02 %	1%	19.00 %	0.12%
Total capital ratio [4]	19.43 %	19.28 %	0.15%	19.23 %	0.20%
Leverage ratio [3]	9.64 %	9.72 %	(0.08%)	10.11 %	(0.47%)
Credit Quality					
Impaired mortgage ratio (non-securitized) [1]	2.31 %	2.46 %	(0.15%)	3.42 %	(1.11%)
Impaired mortgage ratio (total) [1]	1.20 %	1.25 %	(0.05%)	1.83 %	(0.63%)
Mortgage Arrears					
Non-securitized	$ 105,044	$ 96,368	9%	$ 136,175	(23%)
Securitized	4,757	4,103	16%	6,085	(22%)
Total	$ 109,801	$ 100,471	9%	$ 142,260	(23%)
Common Share Information (end of period)					
Number of common shares outstanding	39,128	38,717	1%	37,831	3%
Book value per common share [1]	$ 15.52	$ 15.48	—%	$ 15.24	2%
Common share price - close	$ 18.36	$ 18.25	1%	$ 15.73	17%
Market capitalization	$ 718,390	$ 706,585	2%	$ 595,082	21%

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

Table 2: Financial Statement Highlights - Quarterly

(in thousands except per share amounts, % and where indicated)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Income Statement Highlights								
Net interest income - non-securitized assets	$20,664	$21,091	$20,813	$21,228	$21,346	$22,314	$21,891	$20,290
Net interest income - securitized assets	$ 3,089	$ 3,570	$ 3,122	$ 2,590	$ 2,643	$ 2,670	$ 1,922	$ 2,251
Mortgage interest - non-securitized assets [A]	$45,148	$47,209	$48,067	$48,422	$48,008	$47,406	$44,144	$38,691
Term deposit interest and expenses [B]	$24,882	$26,642	$28,021	$27,526	$26,070	$24,361	$21,083	$18,034
Net non-securitized mortgage spread income[1] [A-B]	$20,266	$20,567	$20,046	$20,896	$21,938	$23,045	$23,061	$20,657
Pre-provision pre-tax income[1]	$19,375	$ 7,564	$28,194	$21,774	$22,280	$23,506	$18,283	$16,318
Equity income from MCAP Commercial LP	$ 5,571	$ 7,227	$ 6,667	$ 7,726	$ 7,183	$ 4,429	$ 4,310	$ 5,268
Net gain (loss) on securities	$ 1,099	$(11,326)	$ 5,671	$ (715)	$ 27	$ 1,977	$(1,581)	$(5,017)
Net income	$16,590	$ 7,725	$26,892	$19,749	$23,220	$19,855	$18,479	$15,887
Basic and diluted earnings per share	$ 0.43	$ 0.20	$ 0.70	$ 0.52	$ 0.65	$ 0.56	$ 0.53	$ 0.46
Dividends per share - cash	$ 0.41	$ 0.39	$ 0.39	$ 0.39	$ 0.39	$ 0.38	$ 0.38	$ 0.36
Return on average shareholders' equity [1]	10.99 %	5.14 %	18.16 %	13.63 %	17.09 %	15.01 %	14.20 %	12.47 %
Taxable income (loss) per share [2]	$ 0.45	$ 0.51	$ 0.25	$ 0.44	$ 0.67	$ (0.13)	$ 0.45	$ 0.66
Spreads								
Spread of non-securitized mortgages over term deposit interest and expenses [1]	2.89 %	2.83 %	2.78 %	2.93 %	3.14 %	3.34 %	3.49 %	3.63 %
Spread of securitized mortgages over liabilities [1]	0.50 %	0.54 %	0.49 %	0.46 %	0.46 %	0.39 %	0.42 %	0.39 %
Average term to maturity (in months)								
Mortgages - non-securitized	9.1	9.5	12.9	12.1	11.5	12.7	13.1	12.7
Term deposits	17.7	18.5	19.1	19.2	18.2	18.5	19.2	16.1
Balance Sheet Highlights ($ million)								
Total assets	$ 5,443	$ 5,348	$ 5,213	$ 5,097	$ 4,894	$ 4,739	$ 4,540	$ 4,427
Mortgages - non-securitized	$ 2,545	$ 2,464	$ 2,472	$ 2,500	$ 2,385	$ 2,415	$ 2,338	$ 2,224
Mortgages - securitized	$ 2,354	$ 2,420	$ 2,290	$ 2,170	$ 2,095	$ 1,930	$ 1,835	$ 1,755
Total liabilities	$ 4,836	$ 4,748	$ 4,611	$ 4,512	$ 4,318	$ 4,207	$ 4,013	$ 3,910
Shareholders' equity	$ 607	$ 599	$ 602	$ 585	$ 576	$ 532	$ 528	$ 517
Capital Ratios								
Income tax assets to capital ratio [2]	5.41	5.24	5.38	5.34	5.14	5.52	5.14	5.22
CET 1 & Tier 1 capital ratios [4]	19.12 %	19.02 %	19.94 %	19.10 %	19.00 %	17.61 %	17.72 %	17.90 %
Total capital ratio [4]	19.43 %	19.28 %	20.19 %	19.35 %	19.23 %	17.91 %	17.98 %	18.14 %
Leverage ratio [3]	9.64 %	9.72 %	9.99 %	9.85 %	10.11 %	9.49 %	9.76 %	9.71 %
Credit Quality								
Impaired mortgage ratio (non-securitized) [1]	2.31 %	2.46 %	2.26 %	3.50 %	3.42 %	3.26 %	1.76 %	1.70 %
Impaired mortgage ratio (total) [1]	1.20 %	1.25 %	1.19 %	1.90 %	1.83 %	1.82 %	0.99 %	0.96 %
Mortgage Arrears								
Non-securitized	$105,044	$96,368	$139,427	$136,499	$136,175	$112,789	$85,513	$63,651
Securitized	4,757	4,103	6,333	5,278	6,085	4,661	4,438	5,130
Total	$109,801	$100,471	$145,760	$141,777	$142,260	$117,450	$89,951	$68,781
Common Share Information (end of period)								
Number of common shares outstanding	39,128	38,717	38,463	38,153	37,831	35,432	35,432	35,068
Book value of common share [1]	$ 15.52	$ 15.48	$ 15.65	$ 15.34	$ 15.24	$ 15.01	$ 14.89	$ 14.73
Common share price - close	$ 18.36	$ 18.25	$ 17.98	$ 16.10	$ 15.73	$ 15.89	$ 15.13	$ 15.36
Market capitalization ($ million)	$ 718	$ 707	$ 692	$ 614	$ 595	$ 563	$ 536	$ 539

[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.

Quarterly Trends

- In 2023, we saw some stabilization in interest rates compared to prior periods, but still saw a total of 75 basis points increase in interest rates during the year, as well as uncertainty on future increases by the Bank of Canada and on the Canadian economy's risk of recession. There continued to be volatility in REIT stock prices and therefore mostly unrealized losses were recorded. In 2024, we saw the beginning of interest rate cuts which helped initially with a recovery on REIT stock prices; however, Q4 2024 saw unrealized losses on our REITS and our non-marketable securities mainly related to the current economic environment and their impact on valuations. In Q1 2025, we recorded an increase to our provision for credit losses mainly on performing loans due to the current geopolitical environment.

- In 2023, the rising interest rate environment had increased rates in our floating rate residential construction portfolio above their floor rates and our focus on changing the laddering of the duration of our term deposits had kept average term deposit rates from rising faster than our mortgage rates, which increased our spread of non-securitized mortgages over term deposit interest and expenses. Beginning in Q2 2024, we saw a larger decline in our spread of non-securitized mortgages over term deposit interest and expenses as rates on our non-securitized mortgages fell faster than our term deposits in the declining interest rate environment. In Q4 2024 and Q1 2025, we saw slight increases in our spread of non-securitized mortgages over term deposit interest and expenses due to our hedging strategy and pricing initiatives which lower our term deposit costs more than our non-securitized mortgage rates.

- We saw spreads decline on securitizations in 2023 as a result of a decline in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields remained elevated in 2023. As a result, we had reduced our securitization volumes in 2023. 2023 volumes were also impacted by lower insured residential mortgage originations due to the higher interest rate environment. Since Q4 2023, we have seen better economics on securitizations as the spread of Government of Canada bond yields versus our mortgage rates widened. We participate in this market opportunistically.

- In order to take advantage of the tax benefits provided by our Mortgage Investment Corporation ("MIC") status, we pay out all of MCAN's non-consolidated taxable income to shareholders through dividends. In 2023, we had higher taxable income from our core business as well as from our investment in MCAP. In Q4 2023, we had lower taxable income as a result of tax timing differences on various investing strategies that we engaged in. In Q3 2023, we increased our quarterly cash dividend per share by 6% to $0.38 due to taxable income growth. In 2024 and Q1 2025, we had higher taxable income mainly as a result of higher taxable income from MCAP. In Q1 2024, we increased our quarterly cash dividend by 3% to $0.39. In Q1 2025, we increased our quarterly cash dividend by 5% to $0.41 due to taxable income growth.

- Common Equity Tier 1 ("CET 1"), Tier 1 Capital and Total Capital to risk-weighted assets ratio reductions are generally due to our growing risk-weighted assets compared to our capital base. In 2023, 2024 and so far in 2025, we raised $2 million, $7 million and $1.1 million, respectively, of capital through our at-the-market equity program ("ATM Program"). Improvement to our ratios in Q1 and Q2 2024 was due to a successful $28.8 million capital raise by way of an overnight marketed offering in Q1 2024. Our Dividend Reinvestment Program ("DRIP") provided us with a reliable source of capital maintenance each quarter. All of our capital and leverage ratios are within our regulatory and internal risk appetite guidelines.

- Mortgage arrears have varied on a quarterly basis given the nature of the 1-30 day arrears. The majority of residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. Our greater than 30 days arrears increased compared to Q4 2024 in our uninsured residential mortgages; however, we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average loan to value ("LTV") of 64.3% at March 31, 2025 based on an industry index of current real estate values. For the construction and commercial mortgage arrears, these loans have either been brought current or we expect them to be brought current, or we have initiated asset recovery programs. We have a strong track record with our default management processes and asset recovery programs as the need arises. Our realized loan losses on our construction portfolio have been negligible.

BUSINESS OVERVIEW AND OUTLOOK

We focus over the long term on sustainably growing our business and shareholder returns. We believe that our long-term strategy will continue to serve us well, although we always consider the current market conditions in the execution of that strategy. Over the mid-term, our focus is to grow our business and our shareholder returns within our capital requirements and risk appetite, working with our strategic partners, and investing in infrastructure and process improvements to drive efficiencies in all our operations. In the short-term, we are focused on managing our shareholder returns in light of current geopolitical and economic uncertainty. We believe that we are a prudent and disciplined lender to the Canadian real estate markets with a strong credit profile with conservative LTV ratios. We have strong relationships with our brokers and strategic partners that are foundational to our strategy. This strategy and long-term outlook are based on assumptions learned from our over three decades of experience, our market knowledge, and sources we consider reliable.

Economic Outlook

The Canadian economy is in a period of heightened geopolitical and economic uncertainty as tariff threats overshadow what could have been an improving economy. Canada saw some recovery initially from declining interest rates with better gross domestic product ("GDP") growth and lower unemployment. However, this momentum was derailed by US trade policy and the unpredictability of tariffs. The Bank of Canada maintained its overnight rate in April for this reason due to increased risks of inflation. The magnitude and duration of changes in tariffs on international trade presents a risk of recession to the Canadian economy with the potential for weaker GDP, higher unemployment, and further inflationary pressures. Most economists believe that to support economic growth the direction of interest rate cuts is downwards through 2025 but by less than previously forecasted. Higher leveraged households and an uncertain job market have shifted consumer spending toward debt servicing and more conservative spending habits, with a pullback in discretionary spending. Slower immigration growth will also create a drag on GDP growth. We expect geopolitical uncertainty and its impact on the economy to be the dominant concern for 2025.

Housing Market Outlook

Housing affordability continues to be a concern across Canada. Recent forecasts of further interest rate cuts will provide some relief to homebuyers in the short-term and we are seeing more uptake for variable-rate mortgage products; however, we do not expect a sustained recovery in affordability until interest rates come down more meaningfully and geopolitical tensions de-escalate. In the long term, we believe that further interest rate cuts and the continued supply-demand imbalance for housing will provide upward pressure on sale and home price growth, particularly in and around our core markets of (i) the Greater Toronto area; (ii) the Capital region; and (iii) the Greater Vancouver area. However, housing affordability and reduced immigration will likely keep this growth from being even stronger. Housing affordability (including housing supply) continues to be a critical issue for all levels of government and in all provinces where we do business. The lack of supply of affordable housing is not easily resolved in the short term, as there are multiple factors to building new supply (i.e. local/municipal government processes, skilled labour shortages, increased construction costs including higher construction financing rates, lack of new construction technologies, etc.) that limit how many homes can be built in the short term.

Business Outlook

We believe that our business is well structured with its focus on multiple facets of the Canadian residential real estate market, giving us some flexibility in terms of income generation and allowing us to balance volatility that we may experience at certain points and in certain areas of our business. We believe that there is an opportunity to focus on and expand our core businesses without taking on significantly more risk. We will also continue to place an emphasis on investing in our infrastructure and process improvements to drive operating leverage. We will remain nimble, however, in dealing with any market changes or opportunities that may arise in any of our businesses in the short term. With a strong liquidity and capital position, high level of credit quality, and our strategy of continued diversification of our lending portfolio and funding base, we believe we are well positioned for an uncertain economic and geopolitical environment.

MCAN Capital Division

Our MCAN Capital division manages our construction and commercial lending business. We expect continued high demand for more affordable housing, which is our main strategy. We have seen growth in our average residential construction and commercial portfolio balance, which is over $1.1 billion, but we do expect runoff from completed projects and, therefore, we are building our pipeline to manage this and maintain controlled growth in our portfolio. Specifically with respect to construction zoning site delays as well as the aforementioned housing market headwinds on our construction lending portfolio, the vast majority of our loans are progressing towards completion and the few that have stalled are being actively managed to either be brought current or asset recovery programs have been initiated. We continue to monitor that entire portfolio and the market very closely, and we will continue to exercise our strong credit management practices in the context of the market. As well, the cost of construction has increased due to inflationary pressures in the cost of building materials and labour, and there continues to be a shortage of skilled labour within the construction industry. Tariffs on international trade may further increase construction costs. All these factors have, and may continue to have, an impact on the timing of repayments as loans remain outstanding longer; however, they have not changed the overall expected success of these construction projects or the performance of the loans within this portfolio. Our philosophy within our MCAN Capital division is to apply a prudent approach to our underwriting criteria in line with our risk appetite, with a focus on well-located and more affordable residential products, near transit corridors, with experienced borrowers and developers where we have existing relationships. We will continue to remain vigilant in our underwriting and loan management practices and look to onboard new borrowers and developers that fit within our lending philosophy.

MCAN Home Division

Our MCAN Home division manages our residential lending business. Given the geopolitical and economic environment, our risk management, credit monitoring and assessment activities continue to have a heightened focus in operating our business. We continue to focus on proactively protecting our net interest margins on our residential mortgages with strong credit underwriting to ensure that we adequately compensated for the level of risk we may take. We expect a moderate increase in home purchase activity, and more competition in our market in order to attract what demand is coming in for both originations and renewals, when more meaningful interest rate cuts occur; however, the economic impact of the current geopolitical environment remains uncertain. Despite the noted uncertainty, we remain open for business while taking a prudent approach to the mortgage originations we undertake. We remain dedicated to continuously improving our service for our borrowers and the broker community, and as such, we will continue to invest in our current and new systems and business infrastructure to further enhance our service experience. We will also look to expand to other urban markets within Canada. We will continue to keep abreast of the many changes in the market, the regulatory environment and in our portfolios that could impact our business or that could create opportunities in line with our risk appetite.

MCAN Wealth Division

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

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

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

HIGHLIGHTS

Q1 2025

- Net income totalled $16.6 million in Q1 2025, a decrease of $6.6 million (29%) from net income of $23.2 million in Q1 2024. Results for the first quarter of 2025 were mainly impacted by higher provisions for credit losses due to the current economic and geopolitical environment.

- Earnings per share totalled $0.43 in Q1 2025, a decrease of $0.22 (34%) from earnings per share of $0.65 in Q1 2024.

- Return on average shareholders' equity[1] was 10.99% in Q1 2025, a decrease from 17.09% in Q1 2024.

- Net non-securitized mortgage spread income[1] decreased by $1.7 million in Q1 2025 from Q1 2024. The net non-securitized mortgage spread income decreased due to a higher average non-securitized mortgage portfolio balance from mortgage portfolio growth, offset by a reduction in the spread of non-securitized mortgages over term deposit interest and expenses. The decrease in the spread of non-securitized mortgages over term deposit interest and expenses is mainly due to higher effective interest rates on our term deposits and related hedges, and lower mortgage rates, mainly in our floating rate residential construction portfolio, in a declining interest rate environment. Term deposit costs are also higher as we utilized them for funding instead of our short-term loan facilities. We had $1.2 million lower financing costs on our short-term facilities in Q1 2025 compared to Q1 2024. In Q1 2025, we saw the spread of non-securitized mortgages over term deposit interest and expenses improve compared to Q4 2024 due to a faster reduction in term deposit and related hedges compared to our mortgage rates.

- Net securitized mortgage spread income[1] increased by $0.6 million in Q1 2025 from Q1 2024. The net securitized mortgage spread income increased due to a higher spread of securitized mortgages over liabilities and a higher average securitized mortgage portfolio balance from higher securitization volumes of insured residential mortgages exceeding maturities. We have seen better economics on securitizations as the spread of Government of Canada bond yields versus our mortgage rates widened in a declining interest rate environment.

- Provision for credit losses on our non-securitized mortgage portfolio of $3.1 million in Q1 2025 mainly due to (i) worsening economic forecasts due to the current economic and geopolitical environment mainly impacting our performing loans; and (ii) interest provisioning on our impaired residential construction loans. We believe that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 64.3% at March 31, 2025 based on an industry index of current real estate values. In Q1 2024, we had a recovery of credit losses of $0.6 million mainly due to one commercial loan where an asset recovery program was initiated. We recovered all past due principal and interest.

- Equity income from MCAP Commercial LP ("MCAP") totalled $5.6 million in Q1 2025, a decrease of $1.6 million (22%) from $7.2 million in Q1 2024, which was primarily due to (i) higher financial instrument losses from hedge movements related to declining bond yields; and (ii) lower mortgage origination fees from lower commitment and whole-loan sale volumes. These were partially offset by (i) higher securitization interest income from higher volumes and spreads; and (ii) lower interest expenses in a declining rate environment.

- Net realized and change in unrealized fair value gain on our marketable securities of $1.1 million in Q1 2025 compared to a $0.3 million net change in unrealized fair value loss in Q1 2024. In Q1 2025, we had a realized gain of $1.5 million from the sale of REITs and a net change in unrealized loss of $0.4 million due to continued economic uncertainty. We continue to realize the benefits of solid cash flows and distributions from these investments. In Q1 2025, we received distributions of $1.0 million (distribution yield[1] of 6.40%) from our REITs compared to $0.8 million (distribution yield[1] of 5.94%) in Q1 2024.

- Net change in unrealized fair value gain on our non-marketable securities of $10 thousand in Q1 2025 mainly relating to net gains from updated property valuations as well as actual execution on leasing activities. In Q1 2024, we had a $0.3 million net change in unrealized fair value gain on our non-marketable securities investments due to the same factors as Q1 2025.

Business Activity and Balance Sheet

- Our balance sheet management reflects our focus in the short to mid term on achieving the optimal asset mix and maintaining a stable net interest margin within our capital requirements and risk appetite.

- Non-securitized assets totalled $3.01 billion at March 31, 2025, a net increase of $147 million (5%) from December 31, 2024.

- Non-securitized mortgage portfolio totalled $2.54 billion at March 31, 2025, a net increase of $80 million (3%) from December 31, 2024.

- Construction portfolio totalled $1.11 billion at March 31, 2025, a net increase of $26 million (2%) from December 31, 2024. In Q1 2025, the movement in the construction portfolios is attributed to new loan advances of $144 million in new construction mortgages, offset by repayments on completing projects, an increase of $22 million (18%) from Q1 2024. To date, projects continue to progress toward completion.

- Uninsured residential mortgage portfolio totalled $1.14 billion at March 31, 2025, a net increase of $25 million (2%) from December 31, 2024. Uninsured residential mortgage originations were $97 million in Q1 2025, an increase of $12 million (15%) from Q1 2024. We also continue to see strong uninsured residential mortgage renewals with $104 million in Q1 2025 compared to $127 million in Q1 2024 supported by outstanding service to our brokers, originators and customers. We actively manage origination and renewal volumes in order to protect our net interest margins and net income.

- Securitized insured residential mortgages totalled $2.35 billion at March 31, 2025, a net decrease of $66 million (3%) from December 31, 2024. Insured residential mortgage securitization volumes were $53 million in Q1 2025, a decrease of $161 million (75%) from Q1 2024. Insured residential mortgage originations were $89 million in Q1 2025, a decrease of $82 million (48%) from Q1 2024. This includes $37 million insured residential mortgage commitments originated and sold in Q1 2025 compared to $nil in Q1 2024. Overall, total insured residential mortgage origination volumes are lower due to the current economic and geopolitical environment. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages. We use various channels in funding the insured residential mortgage portfolio, in the context of market conditions and net contributions over the life of the mortgages, in order to support our overall business.

Dividend

- The Board declared a second quarter regular cash dividend of $0.41 per share to be paid June 30, 2025 to shareholders of record as of June 13, 2025. As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income.

Credit Quality

- Arrears total mortgage ratio[1] was 2.24% at March 31, 2025 compared to 2.06% at December 31, 2024. The majority of our residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. While greater than 30 days arrears has increased in our uninsured residential mortgages, we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 64.3% at March 31, 2025 compared to 63.7% at December 31, 2024 based on an industry index of current real estate values. With respect to our construction and commercial loan portfolio, we have a strong track record with our default management processes and asset recovery programs as the need arises.

- Impaired non-securitized mortgage ratio[1] was 2.31% at March 31, 2025 compared to 2.46% at December 31, 2024. At March 31, 2025, impaired mortgages mainly represent five impaired construction mortgages where asset recovery programs have been initiated.

- Impaired total mortgage ratio[1] was 1.20% at March 31, 2025 compared to 1.25% at December 31, 2024.

- Net write-offs were $182 thousand (3.0 basis points of the average non-securitized mortgage portfolio) in Q1 2025 compared to $19 thousand (0.3 basis points) in Q1 2024. Write-offs related to our uninsured residential mortgage portfolio.

- Average LTV of our uninsured residential mortgage portfolio based on an industry index of current real estate values was 64.3% at March 31, 2025 compared to 63.7% at December 31, 2024.

Capital

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

- We have a Base Shelf prospectus allowing us to make certain public offerings of debt or equity securities during the period that it is effective, through Prospectus Supplements.
    - We have an ATM Program, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, allowing us to issue up to $30 million common shares to the public from time to time at the market prices prevailing at the time of sale. In Q1 2025, we sold 61,200 common shares at a weighted average price of $18.32 for gross proceeds of $1.1 million and net proceeds of $1.1 million including $22 thousand of agent commission paid and $1 thousand of other share issuance costs under the ATM Program. At March 31, 2025, we have $19.9 million remaining available to be issued through our ATM Program. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion.

- We issued $4.5 million in new common shares through the DRIP in Q1 2025 compared to $8.2 million in new common shares in Q1 2024. The DRIP participation rate was 15% for the Q1 2025 dividend (Q1 2024 - 29%).

- Income tax assets to capital ratio[3] was 5.41 at March 31, 2025 compared to 5.24 at December 31, 2024.

- CET 1 and Tier 1 Capital to risk-weighted assets ratios[2] were 19.12% at March 31, 2025 compared to 19.02% at December 31, 2024. Total Capital to risk-weighted assets ratio[2] was 19.43% at March 31, 2025 compared to 19.28% at December 31, 2024. Leverage ratio[2] was 9.64% at March 31, 2025 compared to 9.72% at December 31, 2024. All of our capital and leverage ratios are within our regulatory and internal risk appetite guidelines.

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

RESULTS OF OPERATIONS

Table 3: Net Income

(in thousands except for per share amounts and %) For the Quarters Ended	Q1 2025	Q4 2024	Change (%)	Q1 2024	Change (%)
Net Interest Income - Non-Securitized Assets					
Mortgage interest	$ 45,148	$ 47,209	(4)%	$ 48,008	(6)%
Interest on cash and other income	792	842	(6)%	992	(20)%
	45,940	**48,051**	**(4)%**	**49,000**	**(6)%**
Term deposit interest and expenses	24,882	26,642	(7)%	26,070	(5)%
Interest on loans payable	394	318	24 %	1,584	(75)%
	25,276	**26,960**	**(6)%**	**27,654**	**(9)%**
	20,664	**21,091**	**(2)%**	**21,346**	**(3)%**
Net Interest Income - Securitized Assets					
Mortgage interest	18,742	18,535	1 %	13,340	40 %
Interest on cash and other income	383	546	(30)%	490	(22)%
	19,125	**19,081**	**— %**	**13,830**	**38 %**
Interest on financial liabilities from securitization	16,036	15,511	3 %	11,187	43 %
	16,036	**15,511**	**3 %**	**11,187**	**43 %**
	3,089	**3,570**	**(13)%**	**2,643**	**17 %**
Total Net Interest Income	**23,753**	**24,661**	**(4)%**	**23,989**	**(1)%**
Non-interest Income					
Equity income from MCAP Commercial LP	5,571	7,227	(23)%	7,183	(22)%
Distribution income from securities	2,741	2,702	1 %	2,582	6 %
Fees	1,080	873	24 %	873	24 %
Net gain (loss) on securities	1,099	(11,326)	(110)%	27	3970 %
Other	12	—	n/a	—	n/a
	10,503	**(524)**	**(2,104)%**	**10,665**	**(2)%**
Total Income	**34,256**	**24,137**	**42 %**	**34,654**	**(1)%**
Provision for (recovery of) credit losses	3,089	1,160	166 %	(640)	(583)%
Non-interest Expenses					
Salaries and benefits	7,119	8,791	(19)%	5,999	19 %
General and administrative	7,762	7,782	— %	6,375	22 %
	14,881	**16,573**	**(10)%**	**12,374**	**20 %**
Net Income Before Income Taxes	**16,286**	**6,404**	**154 %**	**22,920**	**(29)%**
Provision for (recovery of) income taxes					
Current	—	(369)	(100)%	61	(100)%
Provision for (recovery of) income taxes	(304)	(952)	(68)%	(361)	(16)%
	(304)	**(1,321)**	**(77)%**	**(300)**	**1 %**
Net Income	**$ 16,590**	**$ 7,725**	**115 %**	**$ 23,220**	**(29)%**
Basic and diluted earnings per share	$ 0.43	$ 0.20	115 %	$ 0.65	(34)%
Cash dividends per share	$ 0.41	$ 0.39	5 %	$ 0.39	5 %

Net Interest Income - Non-Securitized Assets

Mortgage Interest Income

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

For the Quarters Ended	March 31, 2025			December 31, 2024			March 31, 2024		
(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	$ 129,357	$ 1,159	3.60 %	$ 213,129	$ 1,998	3.86 %	$ 280,792	$ 2,989	4.26 %
Uninsured	1,123,190	18,680	6.68 %	1,109,751	18,969	6.82 %	987,369	16,494	6.69 %
Uninsured - completed inventory	112,024	2,301	8.32 %	98,697	2,221	8.95 %	49,556	1,202	9.75 %
Construction loans									
Residential	1,079,045	22,608	8.49 %	1,030,488	23,064	8.90 %	1,055,167	25,802	9.83 %
Non residential	6,166	113	7.42 %	6,054	123	8.09 %	1,710	40	9.38 %
Commercial loans									
Multi-family residential	17,150	287	6.78 %	33,139	834	7.60 %	55,952	1,453	10.44 %
Other	—	—	—	—	—	— %	1,193	28	9.31 %
Mortgages - non-securitized portfolio	$2,466,932	$ 45,148	7.39 %	$2,491,258	$ 47,209	7.53 %	$2,431,739	$ 48,008	7.92 %
Term deposit interest and expenses	2,198,005	24,882	4.50 %	2,213,808	26,642	4.70 %	2,145,322	26,070	4.78 %
Net non-securitized mortgage spread income[1]		$ 20,266			$ 20,567			$ 21,938	
Spread of non-securitized mortgages over term deposit interest and expenses [1]			2.89 %			2.83 %			3.14 %
Average term to maturity (months)									
Mortgages - non-securitized	9.1			9.5			11.5		
Term deposits	17.7			18.5			18.2		

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

Table 5: Mortgage Originations

(in thousands except %) For the Quarters Ended	Q1 2025	Q4 2024	Change (%)	Q1 2024	Change (%)
Originations					
Residential mortgages - insured fixed [2]	$ 49,117	$ 103,129	(52%)	$ 131,476	(63%)
Residential mortgages - insured adjustable rate [2]	39,688	7,257	447%	39,714	—%
Residential mortgages - uninsured [2]	96,823	118,779	(18%)	84,454	15%
Residential mortgages - uninsured completed inventory [1]	21,408	46,966	(54%)	1,080	1,882%
Residential construction [1]	143,395	233,207	(39%)	121,699	18%
Non-residential construction [1]	109	119	(8%)	47	132%
	$ 350,540	**$ 509,457**	**(31%)**	**$ 378,470**	**(7%)**

[1] Construction, commercial and completed inventory originations represent all advances on loans.
[2] Includes residential mortgage commitments sold that the Company originated.

Residential Mortgage Lending

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

Excluding residential mortgages - uninsured completed inventory, which is invested in opportunistically as deals arise, total origination volumes in Q1 2025 on our residential mortgages were lower compared to Q1 2024 due to the geopolitical environment, as well as the uncertain interest rate environment and its impact on the housing market and borrowers. We continued to increase our uninsured residential mortgage lending in the Alberta and British Columbia urban markets. We also saw solid uninsured residential mortgage renewals with $104 million in Q1 2025 compared to $127 million in Q1 2024, as borrowers continue to find it more convenient to stay with their existing lender in the current market environment.

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

We continue to enhance our internal sales and marketing capabilities, and strengthen relationships and customer service with the broker community. We will continue to invest in new technology and add new products that fit within our risk appetite to further enhance our service experience and broaden our offering to our customers.

We have agreements whereby we can sell our (i) insured and uninsured residential mortgage commitments; and (ii) uninsured residential mortgage whole loans. We originated and sold $40 million in residential mortgage commitments in Q1 2025 compared to $nil in Q1 2024 under these agreements.

We securitize our insured residential mortgages opportunistically through the CMHC National Housing Act ("NHA") Mortgage-Backed Securities ("MBS") program. Our Q1 2025 residential mortgage securitization volumes were $53 million compared to $214 million in Q1 2024. Overall, total insured residential mortgage origination volumes are lower due to the current economic and geopolitical environment. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages. Renewals of securitized mortgages fluctuate each period depending on the maturities in the securitization portfolio.

Mortgage renewal rights

Through our origination platform, we retain the renewal rights to internally originated residential mortgages that are held as non-securitized 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, 2025, we had the renewal rights to $3.6 billion of residential mortgages (December 31, 2024 - $3.6 billion).

Construction and Commercial

We continue to focus on growing our balances in our residential construction portfolio in selected markets, with our preferred borrowers and risk profile as they tend to provide comparatively higher yields given their risk profile. For Q1 2025 compared to Q4 2024 and Q1 2024, the decrease in average rates is mainly due to Bank of Canada interest rate cuts reducing our mostly floating rate construction and commercial loans. Higher average balances offset by lower average residential construction rates from the declining interest rate environment contributed to a slightly lower non-securitized mortgage interest compared to prior quarters. Since this portfolio is entirely at prime-based floating rates, we are utilizing our hedging strategies on term deposits to manage spreads on our construction and commercial loans in a decreasing interest rate environment. For information on our term deposit fair value hedging, see "Derivatives and Hedging" sub-section below.

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

Term Deposit Interest and Expenses

The reduction in term deposit interest and expenses for the quarter compared to Q4 2024 and Q1 2024 was mostly due to a lower average term deposits balance, and lower average term deposit rates and related hedges from a declining interest rate environment. We have been actively managing our interest rate risk during this period of declining interest rates by changing the laddering of the duration of our term deposits relative to our non-securitized mortgage portfolio and utilizing hedging strategies. Term deposit expenses include costs related to insurance, operating infrastructure and administration. For information on our term deposit fair value hedging, see "Derivatives and Hedging" sub-section below.

Derivatives and Hedging

Cash Flow Hedging

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

At March 31, 2025, we had $nil of derivatives outstanding relating to cash flow hedges (December 31, 2024 - $nil) on our consolidated balance sheets. In Q1 2025, we had net realized fair value gains of $nil (Q1 2024 - $31 thousand net realized fair value gains) on our derivative transactions recognized in other comprehensive income in the statements of comprehensive income.

Fair Value Hedging

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

We have interest rate swaps with total notional principal amount of $739 million at March 31, 2025 (December 31, 2024 - $787 million). At March 31, 2025, the Company had $6.0 million of derivative assets outstanding related to fair value hedges (December 31, 2024 - $2.5 million derivative assets) on our consolidated balance sheets. In Q1 2025, we had unrealized fair value hedge gains of $1.0 million (Q1 2024 - $0.8 million fair value hedge costs) recorded in term deposit interest and expenses in the consolidated statements of income.

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

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

Net Interest 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 $53 million in Q1 2025 (Q1 2024 - $214 million). The decrease compared to the prior year was due to lower securitization volumes of insured residential mortgages due to the current economic and geopolitical environment. As securitization spreads continue to be favourable, we expect to continue to be aggressive in originating insured residential mortgages for securitization.

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

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

For the Quarters Ended	March 31, 2025			December 31, 2024			March 31, 2024		
(in thousands except %)	Average Balance[1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Mortgages - securitized portfolio	$2,368,150	$ 18,742	3.18 %	$2,332,862	$ 18,535	3.18 %	$1,969,913	$ 13,340	2.72 %
Financial liabilities from securitization	2,394,557	16,036	2.68 %	2,352,941	15,511	2.64 %	1,979,850	11,187	2.26 %
Net securitized mortgage spread income [1]		$ 2,706			$ 3,024			$ 2,153	
Spread of securitized mortgages over liabilities [1]			0.50 %			0.54 %			0.46 %

[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 2025, we have seen spreads decrease slightly on securitizations compared to Q4 2024 due to volatility in the current economic environment. Compared to Q1 2024, we saw an increase in spread in the current quarter due to an increase in the spread of Government of Canada bond yields versus our mortgage rates in a declining rate environment.

Non-interest Income

Equity Income from MCAP

In Q1 2025, MCAP's origination volumes were $4.2 billion, a decrease from $4.4 billion in Q1 2024. At February 28, 2025 (we account for MCAP on a one-month lag basis), MCAP had $153.5 billion of assets under management compared to $154.6 billion at November 30, 2024 and $154.9 billion at February 29, 2024. Equity income from MCAP totalled $5.6 million in Q1 2025, a decrease of $1.6 million from $7.2 million in Q1 2024. For Q1 2025, the decrease in equity income from MCAP was primarily due to (i) higher financial instrument losses from hedge movements related to declining bond yields; and (ii) lower mortgage origination fees from lower commitment and whole-loan sale volumes. These were partially offset by (i) higher securitization interest income from higher volumes and spreads; and (ii) lower interest expenses in a declining rate environment.

We recognize equity income from MCAP on a one-month lag such that our Q1 2025 equity income from MCAP is based on MCAP's net income for the quarter ended February 28, 2025. 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.

Distribution Income from Securities

Non-Marketable

We received distribution income from KingSett High Yield Fund ("KSHYF") of $1.4 million in Q1 2025 (Q1 2024 - $1.5 million) and KingSett Senior Mortgage Fund LP ("KSSMF") of $0.4 million in Q1 2025 (Q1 2024 - $0.3 million).

Marketable

Marketable securities income consists primarily of distributions from our REIT portfolio. In Q1 2025, we received distributions of $1.0 million (distribution yield[1] of 6.40%) from our REITs compared to $0.8 million (distribution yield[1] of 5.94%) in Q1 2024. For the quarter, the higher distribution yield is mainly due to higher distribution income from the underlying REITs. The distribution yield has been calculated based on the average portfolio carrying value.

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

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 2025, we recorded a realized and net change in unrealized fair value gain on our marketable securities of $1.1 million compared to a $0.3 million net change in unrealized fair value loss in Q1 2024. In Q1 2025, we had a realized gain of $1.5 million from the sale of REITs and a net change in unrealized loss of $0.4 million due to continued economic uncertainty. We continue to realize the benefits of solid cash flows and distributions from these investments.

In Q1 2025, we recorded a net change in unrealized fair value gain on our non-marketable securities of $10 thousand compared to a $0.3 million net change in unrealized fair value gain in Q1 2024 both consisting of gains and losses from certain underlying property investments as a result of (i) updated appraisals/property valuations, net of related property debt and debt service costs; and (ii) actual executions on construction and leasing stabilization and value-add activities. Our non-marketable securities are either held for long-term capital appreciation or distribution income. Our real estate development fund investments tend to have less predictable cash flows that are predicated on the completion of the development projects within these funds.

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 2025	Q4 2024	Change (%)	Q1 2024	Change (%)
Provision for (recovery of) impaired non-securitized mortgages					
Residential mortgages					
Uninsured	$ 536	$ (76)	805%	$ 456	18%
Construction loans	807	930	(13%)	655	23%
	1,343	854	57%	1,111	21%
Provision for (recovery of) performing non-securitized mortgages					
Residential mortgages					
Uninsured	1,376	(90)	1,629%	(73)	1,985%
Uninsured - completed inventory	131	231	(43%)	(162)	181%
Construction loans	236	312	(24%)	(1,361)	117%
Commercial loans					
Multi-family residential	3	(123)	102%	(153)	102%
	1,746	330	429%	(1,749)	200%
Other provisions (recoveries)	—	(24)	100%	(2)	100%
Total non-securitized mortgages provision for (recovery of) credit losses	3,089	1,160	166%	(640)	583%
Provision for (recovery of) performing securitized mortgages	—	—	n/a	—	n/a
Total provision for (recovery of) credit losses	$ 3,089	$ 1,160	166%	$ (640)	583%
Non-securitized mortgage portfolio data:					
Provision for (recovery of) credit losses, net	$ 3,089	$ 1,184	161%	$ (638)	584%
Net write offs	$ 182	$ 232	(22%)	$ 19	858%
Net write offs (basis points)	3.0	3.7	(19%)	0.3	900%

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 non-securitized mortgage portfolio of $3.1 million in Q1 2025 compared to a recovery of credit losses of $0.6 million in Q1 2024. The provision for credit losses in Q1 2025 was mainly due to (i) worsening economic forecasts due to the current economic and geopolitical environment mainly impacting our performing loans; and (ii) interest provisioning on our impaired residential construction loans. We believe that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 64.3% at March 31, 2025 based on an industry index of current real estate values. In Q1 2024, we had a recovery of credit losses of $0.6 million mainly due to one commercial loan where an asset recovery program was initiated. The current geopolitical environment has increased the level of uncertainty with respect to management’s judgments 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, 2025. IFRS 9, *Financial Instruments*

("IFRS 9") does not permit the use of hindsight in measuring provisions for credit losses. Since March 31, 2025, forecasts around these uncertainties have continued to evolve. Any new forward-looking information subsequent to March 31, 2025, 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.

Non-interest Expenses

Table 8: Non-interest Expenses

(in thousands except %) For the Quarters Ended	Q1 2025	Q4 2024	Change (%)	Q1 2024	Change (%)
Salaries and benefits	$ 7,119	$ 8,791	(19%)	$ 5,999	19%
General and administrative	7,762	7,782	—%	6,375	22%
	$ 14,881	**$ 16,573**	**(10%)**	**$ 12,374**	**20%**

The increase in salaries and benefits in Q1 2025 and Q4 2024 compared to Q1 2024 is mainly due to additional resources, regular pay increases, and higher share-based payment accruals. In Q4 2024, there were also additional termination benefits.

The increase in general and administrative expenses in Q1 2025 and Q4 2024 compared to Q1 2024 is primarily due to higher occupancy costs from our new office lease and higher mortgage servicing costs from growth in our mortgage portfolios.

Taxable Income

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

Table 9: Taxable Income Reconciliation

(in thousands) **For the Quarters Ended March 31**	**2025**	**2024**
Consolidated net income for accounting purposes	$ 16,590	$ 23,220
Adjustments to calculate taxable income (loss):		
Reverse: Equity income from MCAP - accounting purposes	(5,571)	(7,183)
Add: MCAP taxable income (loss)	3,350	6,199
Reverse: Provision for (recovery of) credit losses [2]	2,016	(1,656)
Add: Amortization of upfront securitization program costs [3]	3,569	3,542
Deduct: Securitization program mortgage origination costs [3]	(1,349)	(154)
Add: Securitization program premium (discount)	(56)	640
Reverse: Net unrealized loss (gain) on securities [4]	(1,099)	303
Add: Capital gains (losses)	889	—
Reverse: Loss (income) earned in subsidiaries [5]	453	(790)
Other items	(1,165)	(1)
Taxable Income (Loss)[1]	**$ 17,627**	**$ 24,120**

[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 2025 compared to Q1 2024 was primarily due to a lower taxable income from MCAP and a higher amount of origination costs related to insured multi-family mortgage securitization volumes. As a MIC, we pay out all of our taxable income to shareholders through dividends.

FINANCIAL POSITION

Assets

Table 10: Assets

(in thousands except %)	March 31 2025	December 31 2024	Change (%)	March 31 2024	Change (%)
Non-securitized Assets					
Cash and cash equivalents	$ 113,555	$ 61,703	84%	$ 78,275	45%
Marketable securities	62,140	66,345	(6%)	50,227	24%
Mortgages	2,544,500	2,464,091	3%	2,385,267	7%
Non-marketable securities	122,465	117,428	4%	112,574	9%
Equity investment in MCAP Commercial LP	122,805	122,265	—%	115,189	7%
Deferred tax asset	1,733	1,430	21%	697	149%
Derivative financial instruments	5,995	2,508	139%	—	n/a
Other assets	33,935	24,547	38%	9,021	276%
	3,007,128	**2,860,317**	**5%**	**2,751,250**	**9%**
Securitization Assets					
Cash held in trust	62,788	47,249	33%	29,886	110%
Mortgages	2,353,531	2,419,871	(3%)	2,094,637	12%
Other assets	19,903	20,128	(1%)	18,663	7%
	2,436,222	**2,487,248**	**(2%)**	**2,143,186**	**14%**
	$ 5,443,350	**$ 5,347,565**	**2%**	**$ 4,894,436**	**11%**

Our total non-securitized and securitized assets increased compared to March 31, 2024 primarily due to origination volumes, including strong renewal activity in our residential mortgage portfolio, outpacing maturities.

In selecting residential construction projects to finance, we focus more on the affordable segments of the housing market, such as first time and move up homebuyers. These segments are characterized by affordable price points, lower price volatility and steady sales volumes based on continued family formation and migration primarily in major urban markets and their surrounding areas in proximity to transit. We focus on a diverse portfolio of predominantly first mortgage positions with 65-75% LTVs in our normal segment of lending. At March 31, 2025, the average outstanding construction loan balance was $11 million (December 31, 2024 - $11 million) with a maximum individual loan commitment of $38 million (December 31, 2024 - $38 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.

During Q1 2025, we securitized $53 million (Q1 2024 - $214 million) of MBS through the market MBS program and CMB program. Overall, total insured residential mortgage origination volumes are lower due to the current economic and geopolitical environment. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages.

During Q1 2025, we securitized $29 million (Q1 2024 - $nil) of insured multi-family mortgages through the CMB program. At the time of the insured multi-family securitization, the Company derecognized the mortgages from its balance sheet and recorded a gain on the sale of the mortgages of $58 thousand (Q1 2024 - $nil).

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, 2025, we held $45 million of retained MBS on our balance sheet (December 31, 2024 - $46 million), which is included in the insured residential mortgage portfolio in non-securitized mortgages.

Table 11: Mortgage Summary

(in thousands except %)	March 31 2025	December 31 2024	Change (%)	March 31 2024	Change (%)
Non-securitized portfolio					
Residential mortgages					
Insured	$ 152,208	$ 126,528	20%	$ 239,680	(36%)
Uninsured	1,138,768	1,113,372	2%	1,007,946	13%
Uninsured - completed inventory	122,586	119,428	3%	46,707	162%
Construction loans	1,113,738	1,087,561	2%	1,034,004	8%
Commercial loans					
Multi-family residential	17,200	17,202	—%	55,734	(69%)
Other commercial	—	—	n/a	1,196	(100%)
	2,544,500	**2,464,091**	**3%**	**2,385,267**	**7%**
Securitized portfolio	**2,353,531**	**2,419,871**	**(3%)**	**2,094,637**	**12%**
	$ 4,898,031	**$ 4,883,962**	**—%**	**$ 4,479,904**	**9%**

Table 12: Non-securitized Mortgage Portfolio Continuity for Q1 2025

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 126,528**	**$ 1,113,372**	**$ 119,428**	**$ 1,087,561**	**$ 17,202**	**$ 2,464,091**
Originations[1]	190,694	207,650	21,408	143,503	29,112	592,367
Payments and prepayments	(1,961)	(4,940)	(18,195)	(117,643)	—	(142,739)
Maturities	(73,868)	(172,017)	—	—	—	(245,885)
Securitizations	(52,723)	—	—	—	(29,112)	(81,835)
Sale of commitments	(36,703)	(3,664)	—	—	—	(40,367)
Capitalization and amortization of fees	241	(1,633)	(55)	317	(2)	(1,132)
Balance, end of the period	**$ 152,208**	**$ 1,138,768**	**$ 122,586**	**$ 1,113,738**	**$ 17,200**	**$ 2,544,500**

[1] includes originations, including (i) insured and uninsured residential mortgage commitments originated and sold; (ii) acquisitions; (iii) renewals; and (iv) transfers in from our securitization portfolio.

Table 13: Non-securitized Mortgage Portfolio Continuity for Q1 2024

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 276,685**	**$ 966,726**	**$ 54,367**	**$ 1,045,768**	**$ 71,309**	**$ 2,414,855**
Originations[1]	197,615	182,615	1,080	134,434	—	515,744
Payments and prepayments	(3,091)	(3,179)	(8,971)	(149,638)	(14,485)	(179,364)
Maturities	(19,192)	(138,249)	—	—	—	(157,441)
Securitizations	(211,851)	—	—	—	—	(211,851)
Sale of commitments	—	—	—	—	—	—
Capitalization and amortization of fees	(486)	33	231	3,440	106	3,324
Balance, end of the period	**$ 239,680**	**$ 1,007,946**	**$ 46,707**	**$ 1,034,004**	**$ 56,930**	**$ 2,385,267**

[1] includes originations, including (i) insured and uninsured residential mortgage commitments originated and sold; (ii) acquisitions; (iii) renewals; and (iv) 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 Mortgage Portfolios (in thousands)

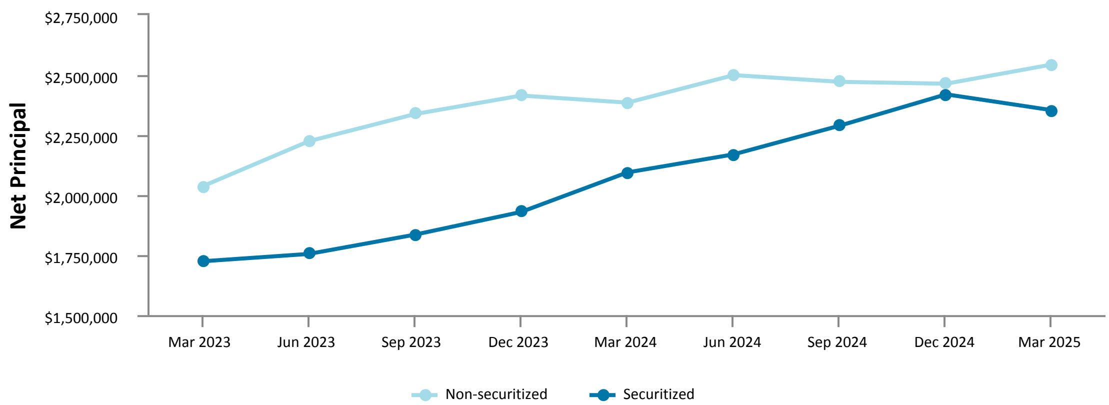
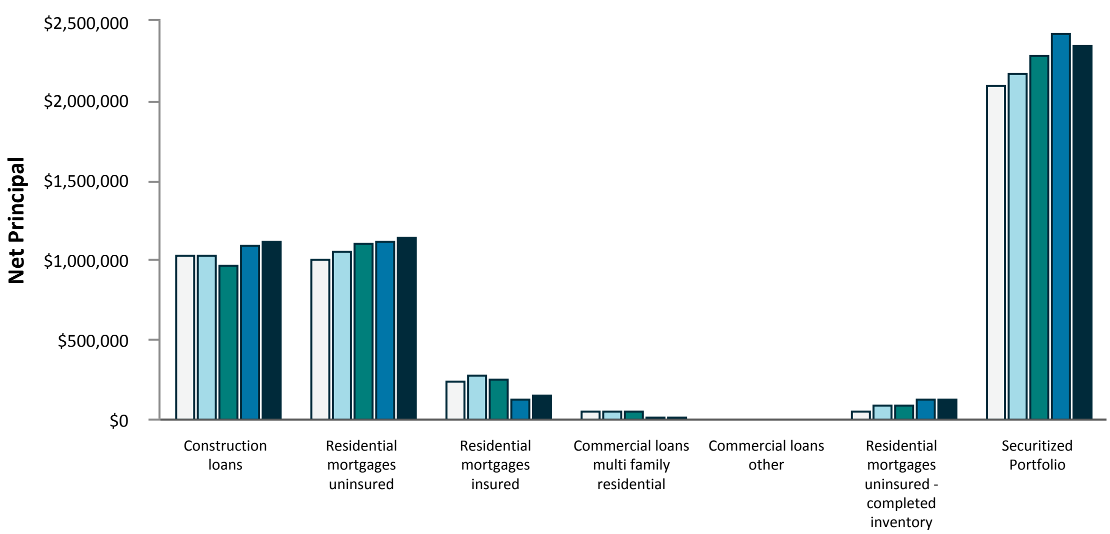


Figure 2: Mortgage Portfolio Composition by Product Type (in thousands)



	Construction loans	Residential mortgages uninsured	Residential mortgages insured	Commercial loans multi-family residential	Commercial loans other	Residential mortgages uninsured - completed inventory	Securitized Portfolio
Mar 31, 2024	$1,034,004 (24%)	$1,007,946 (22%)	$239,680 (5%)	$55,734 (1%)	$1,196 (0%)	$46,707 (1%)	$2,094,637 (47%)
Jun 30, 2024	$1,027,226 (22%)	$1,053,032 (23%)	$280,452 (6%)	$55,696 (1%)	$0 (0%)	$83,481 (2%)	$2,169,799 (46%)
Sep 30, 2024	$968,433 (21%)	$1,106,088 (23%)	$250,660 (5%)	$55,635 (1%)	$0 (0%)	$91,203 (2%)	$2,289,587 (48%)
Dec 31, 2024	$1,087,561 (22%)	$1,113,372 (23%)	$126,528 (3%)	$17,202 (0%)	$0 (0%)	$119,428 (2%)	$2,419,871 (50%)
Mar 31, 2025	$1,113,738 (23%)	$1,138,768 (23%)	$152,208 (3%)	$17,200 (0%)	$0 (0%)	$122,586 (3%)	$2,353,531 (48%)

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

Table 14: Mortgage Portfolio Geographic Distribution

	March 31, 2025		December 31, 2024	
	Non-securitized	Securitized	Non-securitized	Securitized
Ontario	62.2 %	82.3 %	62.5 %	82.5 %
British Columbia	30.5 %	2.9 %	28.2 %	3.0 %
Alberta	6.0 %	11.0 %	8.1 %	10.8 %
Atlantic Provinces	0.4 %	2.2 %	0.4 %	2.1 %
Quebec	0.2 %	0.2 %	0.2 %	0.2 %
Other	0.7 %	1.4 %	0.6 %	1.4 %
	100.0 %	**100.0 %**	**100.0 %**	**100.0 %**

Credit Quality

Table 15: Arrears and Impaired Mortgages

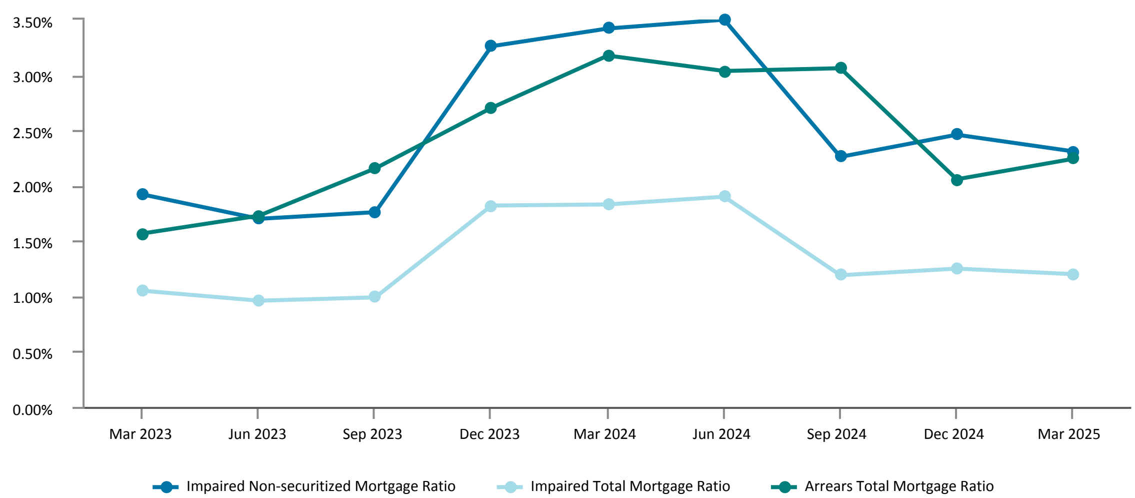
(in thousands except %)	March 31 2025	December 31 2024	Change (%)	March 31 2024	Change (%)
Mortgage arrears					
Non-securitized					
Residential mortgages - insured	$ 3,925	$ 2,161	82%	$ 735	434%
Residential mortgages - uninsured	49,007	48,888	—%	47,215	4%
Residential mortgages - uninsured - completed inventory	—	—	n/a	2,224	(100%)
Construction loans	52,112	45,319	15%	86,001	(39%)
Total non-securitized mortgage arrears	105,044	96,368	9%	136,175	(23%)
Total securitized mortgage arrears	4,757	4,103	16%	6,085	(22%)
Total mortgage arrears	$ 109,801	$ 100,471	9%	$ 142,260	(23%)
Staging analysis					
Stage 2					
Non-securitized					
Residential mortgages - insured	$ 7,663	$ 7,511	2%	$ 8,497	(10%)
Residential mortgages - uninsured	221,994	207,105	7%	185,882	19%
Residential mortgages - uninsured - completed inventory	—	—	n/a	2,224	(100%)
Construction loans	7,575	—	n/a	22,287	(66%)
Commercial loans - multi-family residential	12,192	12,194	—%	39,819	(69%)
Total non-securitized mortgage arrears	249,424	226,810	10%	258,709	(4%)
Total securitized mortgage arrears	142,476	142,862	—%	112,241	27%
Total Stage 2	$ 391,900	$ 369,672	6%	$ 370,950	6%
Stage 3 - impaired mortgages					
Residential mortgages - insured	1,284	806	59%	152	745%
Residential mortgages - uninsured	12,854	14,420	(11%)	9,832	31%
Construction loans	44,537	45,319	(2%)	71,552	(38%)
Total non-securitized impaired mortgages	58,675	60,545	(3%)	81,536	(28%)
Total securitized impaired mortgages	242	264	(8%)	343	(29%)
Total Stage 3	$ 58,917	$ 60,809	(3%)	$ 81,879	(28%)
Total stage 2 and 3 mortgages	$ 450,817	$ 430,481	5%	$ 452,829	—%
Impaired non-securitized mortgage ratio [1]	2.31 %	2.46 %	(0.15%)	3.42 %	(1.11%)
Impaired total mortgage ratio [1]	1.20 %	1.25 %	(0.05%)	1.83 %	(0.63%)
Allowance for credit losses					
Non-securitized					
Allowance on performing mortgages	$ 8,996	$ 7,250	24%	$ 6,204	45%
Allowance on impaired mortgages	7,113	5,952	20%	3,102	129%
Total non-securitized allowance for credit losses	16,109	13,202	22%	9,306	73%
Total securitized allowance for credit losses	—	—	n/a	—	n/a
Total allowance for credit losses	$ 16,109	$ 13,202	22%	$ 9,306	73%

[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: Arrears and Impaired Mortgage Ratios[1]



The majority of our residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. While greater than 30 days arrears has increased in our uninsured residential mortgages, we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 64.3% at March 31, 2025 based on an industry index of current real estate values. With respect to our construction and commercial loan portfolio, we have a strong track record with our default management processes and asset recovery programs as the need arises. The impaired ratios, as presented above, reflect impaired (stage 3) mortgages under IFRS 9 as a percentage of the non-securitized or total mortgage portfolios, as applicable. At March 31, 2025, impaired mortgages are mainly five construction mortgages where we have initiated asset recovery programs. Our realized loan losses on our construction portfolio have been negligible.

In the event of a protracted economic downturn due to the current interest rate environment or geopolitical conflicts, 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 non-securitized 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, 2025

(in thousands except %)	Non-securitized						Securitized			
	Insured	**%**	**Uninsured**	**%**	**HELOCs**	**%**	**Insured**	**%**	**Total**	**%**
Ontario	$ 105,768	69.6 %	$1,069,824	84.8 %	$ 76	86.4 %	$1,936,299	82.3 %	$ 3,111,967	82.7 %
Alberta	30,535	20.1 %	61,976	4.9 %	12	13.6 %	258,013	11.0 %	350,536	9.3 %
British Columbia	5,397	3.5 %	113,964	9.0 %	—	— %	67,581	2.9 %	186,942	5.0 %
Quebec	3,095	2.0 %	1,159	0.1 %	—	— %	5,105	0.2 %	9,359	0.2 %
Atlantic Provinces	4,280	2.8 %	4,715	0.4 %	—	— %	52,935	2.2 %	61,930	1.6 %
Other	3,045	2.0 %	9,716	0.8 %	—	— %	33,598	1.4 %	46,359	1.2 %
Total	**$ 152,120**	**100.0 %**	**$1,261,354**	**100.0 %**	**$ 88**	**100.0 %**	**$2,353,531**	**100.0 %**	**$ 3,767,093**	**100.0 %**

Table 17: Residential Mortgages by Province at December 31, 2024

(in thousands except %)	Non-securitized						Securitized			
	Insured	**%**	**Uninsured**	**%**	**HELOCs**	**%**	**Insured**	**%**	**Total**	**%**
Ontario	$ 84,903	67.0 %	$1,049,153	85.1 %	$ 78	86.7 %	$1,995,326	82.5 %	$ 3,129,460	82.7 %
Alberta	27,631	21.9 %	65,353	5.3 %	12	13.3 %	260,743	10.8 %	353,739	9.4 %
British Columbia	4,135	3.3 %	103,255	8.4 %	—	— %	73,408	3.0 %	180,798	4.8 %
Quebec	2,736	2.2 %	1,170	0.1 %	—	— %	5,631	0.2 %	9,537	0.3 %
Atlantic Provinces	5,027	4.0 %	4,873	0.4 %	—	— %	51,295	2.1 %	61,195	1.6 %
Other	2,006	1.6 %	8,996	0.7 %	—	— %	33,468	1.4 %	44,470	1.2 %
Total	**$ 126,438**	**100.0 %**	**$1,232,800**	**100.0 %**	**$ 90**	**100.0 %**	**$2,419,871**	**100.0 %**	**$ 3,779,199**	**100.0 %**

Table 18: Residential Mortgages by Amortization Period at March 31, 2025

(in thousands except %)	**Up to 20 Years**	**>20 to 25 Years**	**>25 to 30 Years**	**>30 to 35 Years**	**Total**
Non-securitized	$ 242,598	$ 164,604	$ 508,713	$ 497,647	$ 1,413,562
	17.2 %	11.6 %	36.0 %	35.2 %	100.0 %
Securitized	$ 822,786	$ 1,516,599	$ 14,146	$ —	$ 2,353,531
	35.0 %	64.4 %	0.6 %	— %	100.0 %
Total	**$ 1,065,384**	**$ 1,681,203**	**$ 522,859**	**$ 497,647**	**$ 3,767,093**
	28.3 %	**44.6 %**	**13.9 %**	**13.2 %**	**100.0 %**

Table 19: Residential Mortgages by Amortization Period at December 31, 2024

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 to 35 Years	Total
Non-securitized	$ 224,627	$ 158,920	$ 491,353	$ 484,428	$ 1,359,328
	16.6 %	11.7 %	36.1 %	35.6 %	100.0 %
Securitized	$ 807,727	$ 1,605,346	$ 6,798	$ —	$ 2,419,871
	33.4 %	66.3 %	0.3 %	— %	100.0 %
Total	**$ 1,032,354**	**$ 1,764,266**	**$ 498,151**	**$ 484,428**	**$ 3,779,199**
	27.3 %	**46.7 %**	**13.2 %**	**12.8 %**	**100.0 %**

Table 20: Average LTV Ratio for Uninsured Residential Mortgage Originations

(in thousands except %) **For the Quarters Ended**	Q1 2025	Average LTV	Q1 2024	Average LTV
Ontario	$ 84,152	70.2%	$ 77,651	69.6%
Alberta	3,527	72.8%	1,780	78.2%
British Columbia	25,120	51.2%	5,623	66.3%
Other	1,768	76.8%	480	62.3%
	$114,567	**66.2%**	**$ 85,534**	**69.5%**

Table 21: Average LTV Ratios at Origination by Mortgage Portfolio

	March 31 2025	December 31 2024
Non-securitized mortgage portfolio		
Residential mortgages		
Insured	69.4 %	67.8 %
Uninsured[1]	67.8 %	67.7 %
Uninsured - completed inventory	61.9 %	65.1 %
Construction loans		
Residential	61.7 %	61.9 %
Non-residential	60.2 %	60.2 %
Commercial loans		
Multi-family residential	82.4 %	82.4 %
Other commercial	— %	— %
	65.0 %	65.1 %
Securitized mortgage portfolio	79.9 %	79.9 %
	72.1 %	**72.4 %**

[1] MCAN's non-securitized *uninsured residential mortgage portfolio (including uninsured - completed inventory) is secured with a weighted average LTV at origination of 67.2% at March 31, 2025 (December 31, 2024 - 68.7%). Based on an industry index that incorporates current real estate values, the ratio would be 64.3% at March 31, 2025 (December 31, 2024 - 63.7%).*

Other Non-securitized Assets

Cash and Cash Equivalents

At March 31, 2025, our cash balance was $114 million (December 31, 2024 - $62 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 and Government of Canada bonds, provide additional liquidity at yields in excess of cash and cash equivalents. We actively manage our portfolio, as appropriate. At March 31, 2025, the portfolio balance was $62 million (December 31, 2024 - $66 million). In Q1 2025, we sold $5.5 million of REITs for a realized gain of $1.5 million. We continue to realize the benefits of solid cash flows and distributions from these investments.

Non-Marketable Securities

At March 31, 2025, our non-marketable securities balance was $122 million (December 31, 2024 - $117 million). The movement to our security balance is due to funding of capital advances and a $10 thousand net unrealized fair value gain mainly relating to gains and losses on updated property valuations as well as actual execution on leasing activities. Our non-marketable securities are either held for long-term capital appreciation or distribution income. Our real estate development fund investments tend to have less predictable cash flows that are predicated on the completion of the development projects within these funds. We have $56 million in remaining commitments for non-marketable securities expected to fund mainly over the next five years. Some of the real estate funds that we are invested in have been slower to deploy committed capital than initially expected as finding the right opportunities in the current market environment takes more time. For further information, refer to Note 7 to the interim consolidated financial statements.

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 13.89% equity interest in MCAP (December 31, 2024 - 13.88%), which represents 4.0 million units held by MCAN at March 31, 2025 (December 31, 2024 - 4.0 million) of the 28.8 million total outstanding MCAP partnership units (December 31, 2024 - 28.8 million). The investment had a net book value of $123 million at March 31, 2025 (December 31, 2024 - $122 million). The net book value is not indicative of the fair market value of our equity interest in MCAP.

During Q1 2025, we received $5.0 million of unitholder distributions from MCAP (Q1 2024 - $3.4 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 2025	December 31 2024	Change (%)	March 31 2024	Change (%)
Non-Securitized Liabilities					
Term deposits	$ 2,339,201	$ 2,288,226	2%	$ 2,197,805	6%
Loans payable	113,934	107	106,380%	25,786	342%
Derivative financial instruments	—	—	n/a	836	(100%)
Other liabilities	14,881	36,807	(60%)	8,432	76%
	2,468,016	**2,325,140**	**6%**	**2,232,859**	**11%**
Securitization Liabilities					
Financial liabilities from securitization	2,367,969	2,423,236	(2%)	2,085,160	14%
	2,367,969	**2,423,236**	**(2%)**	**2,085,160**	**14%**
	4,835,985	**4,748,376**	**2%**	**4,318,019**	**12%**
Shareholders' Equity					
Share capital	464,106	456,683	2%	441,840	5%
Contributed surplus	510	510	—%	510	—%
Retained earnings	144,259	143,620	—%	134,006	8%
Accumulated other comprehensive income	(1,510)	(1,624)	(7%)	61	(2,575%)
	607,365	**599,189**	**1%**	**576,417**	**5%**
	$ 5,443,350	**$ 5,347,565**	**2%**	**$ 4,894,436**	**11%**

Term Deposits

Our primary source of funding for our non-securitized operations is the issuance of term deposits that are eligible for CDIC deposit insurance. We source term deposits through a broker distribution network across Canada consisting of third party deposit agents and financial advisors, as well as a direct-to-consumer channel through our MCAN Wealth GIC platform. Deposits cannot be cashed prior to maturity or paid on demand except in the event of the death of a depositor or financial hardship. We believe that our term deposits provide a reliable low-cost funding source that can be strategically matched against the non-securitized 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 Factors" 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. Our loans payable balances fluctuate to meet our short-term obligations as required.

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 2025 consists of net income of $16.6 million (Q1 2024 - $23.2 million) less dividends of $16.0 million (Q1 2024 - $13.9 million).

Accumulated Other Comprehensive Income

We may enter into Government of Canada bond forward contracts to hedge interest rate risk arising from the impact of (i) movements in interest rates between the time insured residential mortgages are funded and the time that these mortgages are securitized; and (ii) movements in interest rates between the time term deposit funding is forecasted to be required and the time that the actual funding occurs. Achieving hedge accounting allows us to reduce our net income volatility related to changes in interest rates. In Q1 2025, we had net realized fair value gains of $nil (Q4 2024 - $nil; Q1 2024 - 31 thousand fair value gains) and net unrealized fair value gains of $nil (Q4 2024 - $nil; Q1 2024 - $nil) 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 2025	December 31 2024
Income tax assets		
Consolidated assets	$ 5,443,350	$ 5,347,565
Adjustment for assets in subsidiaries	13,802	35,924
Non-consolidated assets in MIC entity	5,457,152	5,383,489
Add: mortgage allowances	9,707	7,844
Less: securitization assets [1]	(2,396,979)	(2,454,257)
Adjustments to equity investments in MCAP and subsidiaries	(70,009)	(69,378)
Other adjustments	(4,557)	313
	$ 2,995,314	$ 2,868,011
Income tax liabilities		
Consolidated liabilities	$ 4,835,985	$ 4,748,376
Adjustment for liabilities in subsidiaries	(31,726)	(10,040)
Non-consolidated liabilities in MIC entity	4,804,259	4,738,336
Less: securitization liabilities [1]	(2,362,910)	(2,418,059)
	$ 2,441,349	$ 2,320,277
Income tax capital	$ 553,965	$ 547,734
Income tax capital ratios		
Income tax assets to capital ratio	5.41	5.24
Income tax liabilities to capital ratio	4.41	4.24

[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, 2025, we were in compliance with our internal target minimum CET 1, Tier 1 and Total Capital to risk weighted asset and leverage ratios. Our total capital and leverage ratios have decreased due to OSFI's new revised rules that incorporate Basel III reforms. We maintain prudent capital planning practices to ensure that we are adequately capitalized and continue to satisfy minimum standards and internal targets.

Table 24: Regulatory Capital [3]

(in thousands except %)

	March 31 2025	December 31 2024
OSFI Regulatory Ratios		
Share capital	$ 464,106	$ 456,683
Contributed surplus	510	510
Retained earnings	144,259	143,620
Accumulated other comprehensive income	(1,510)	(1,624)
Deduction from equity investment in MCAP [1]	(62,069)	(62,346)
Common Equity Tier 1 and Tier 1 Capital (A)	545,296	536,843
Tier 2 Capital	8,996	7,250
Total Capital (D)	$ 554,292	$ 544,093
Total Exposure/Regulatory Assets		
Consolidated assets	$ 5,443,350	$ 5,347,565
Less: deduction for equity investment in MCAP [1]	(62,069)	(62,346)
Other adjustments [2]	2,490	8,472
Total On-Balance Sheet Exposures	5,383,771	5,293,691
Mortgages and non-marketable securities funding commitments	234,322	208,440
Letters of credit	24,963	22,147
Total Off-Balance Sheet Items	259,285	230,587
Total Exposure/Regulatory Assets (B)	$ 5,643,056	$ 5,524,278
Leverage ratio (A / B)	9.64 %	9.72 %
Risk-weighted assets (C)	$ 2,852,577	$ 2,822,418
Regulatory Capital Ratios		
Common Equity Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.12 %	19.02 %
Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.12 %	19.02 %
Total capital to risk-weighted assets ratio **(D / C)**	19.43 %	19.28 %

[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 and derivatives, are adjusted from total exposures but included in consolidated assets.
[3] These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements and Leverage Requirements guidelines.

Table 25: Regulatory Risk-Weighted Assets [1]

(in thousands except %)	March 31, 2025			December 31, 2024		
	Amounts	Average Rate	Risk-Weighted Assets	Amounts	Average Rate	Risk-Weighted Assets
On-Balance Sheet Assets						
Cash and cash equivalents	$ 113,555	20 %	$ 23,209	$ 61,703	21 %	$ 12,654
Cash held in trust	62,788	20 %	12,558	47,249	20 %	9,450
Marketable securities	62,140	76 %	46,966	66,345	100 %	66,345
Mortgages - non-securitized	2,544,500	69 %	1,747,252	2,464,091	69 %	1,700,214
Mortgages - securitized	2,353,531	6 %	132,723	2,419,871	6 %	136,693
Non-marketable securities	122,465	151 %	185,120	117,428	162 %	190,120
Equity investment in MCAP Commercial LP	122,805	124 %	151,841	122,265	123 %	149,797
Deferred tax asset	1,733	100 %	1,733	1,430	100 %	1,430
Other assets	53,838	100 %	53,838	44,675	100 %	44,675
Derivative Financial Instruments	5,995	— %	—	2,508	— %	—
	5,443,350		2,355,240	5,347,565		2,311,378
Off-Balance Sheet Items						
Letters of credit	49,927	50 %	24,964	44,295	50 %	22,148
Commitments	585,805	34 %	199,377	521,100	45 %	234,666
Derivative Financial Instruments	750,572	5 %	36,671	793,439	3 %	24,288
			261,012			281,102
Charge for operational risk [2]			236,325			229,938
Risk-Weighted Assets			**$ 2,852,577**			**$ 2,822,418**

[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* non-securitized *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 FACTORS

For a detailed description of all risk factors associated with the Company, refer to the "Risk Governance and Management" section of our 2025 Annual Information Form, which is available on the Company's profile on SEDAR+ at www.sedarplus.ca. Incidents related to any of the Company's risks could adversely affect our ability to achieve our business objectives or execute our business strategies, and may result in a loss of earnings, capital and/or damage to our reputation. Our Enterprise Risk Management Framework addresses these risks by establishing effective policies, limits, and internal controls to monitor and mitigate these risks.

The shaded areas of this MD&A below represent a discussion of risk factors and risk management policies and procedures relating to liquidity, credit, interest rate and market risks as required under IFRS 7, *Financial Instruments: Disclosures*. The relevant MD&A sections are identified by shading within boxes and the content forms an integral part of the interim consolidated financial statements.

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, 2025, 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, 2025, 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, 2025						
(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	$ 113,555	$ —	$ —	$ —	$ —	$ 113,555
Marketable securities	62,140	—	—	—	—	62,140
Mortgages - non-securitized	711,570	1,074,537	695,374	36,768	26,251	2,544,500
Non-marketable securities	—	—	—	—	122,465	122,465
Other loans	7,226	—	—	—	—	7,226
	894,491	1,074,537	695,374	36,768	148,716	2,849,886
Uses of liquidity						
Term deposits	419,798	708,864	780,567	429,972	—	2,339,201
Loans payable	113,934	—	—	—	—	113,934
Other liabilities	8,953	(2,236)	731	1,019	6,414	14,881
	542,685	706,628	781,298	430,991	6,414	2,468,016
Net liquidity surplus (deficit)	**$ 351,806**	**$ 367,909**	**$ (85,924)**	**$ (394,223)**	**$ 142,302**	**$ 381,870**

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 interest rates may impact real estate values and may also reduce the net realizable value of the collateral property to the Company. These risks may result in defaults and credit losses, which may result in a loss of earnings.

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

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

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

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

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

As part of our credit risk management process, we monitor our loan portfolio for early indicators of potential concern. The "monitored/arrears" category includes construction and commercial loans that may experience events such as slow sales, cost overruns or are located in geographic markets in which concerns have arisen. Loans in this category are included in stage 2. Considering factors such as borrower equity, portfolio LTV ratios and project liquidity, at March 31, 2025, 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 non-securitized mortgage portfolio, where maximum credit exposure also includes outstanding commitments for future mortgage fundings and our investments in non-marketable securities, where maximum credit exposure includes our total remaining commitments.

Interest Rate Risk

Interest rate risk is the potential impact of changes in interest rates on our earnings and capital. Interest rate risk arises when our assets and liabilities, both on- and off-balance sheet, have mismatched repricing and maturity dates. Changes in interest rates where we have mismatched repricing and maturity dates may have an adverse effect on our financial condition and results of operations.

The Interest Rate Risk Management Framework, which is reviewed and approved by the Board, provides guidance on MCAN's interest rate risk measurement tools, including stress testing, roles and accountabilities, and monitoring and reporting requirements. Additionally, it establishes interest rate risk limits and articulates appetite for interest rate exposures.

An immediate and sustained parallel 1% increase to market interest rates on interest-bearing financial instruments at March 31, 2025 would have an estimated adverse effect of $0.2 million (December 31, 2024 - positive effect of $1.2 million) to net income over the following twelve month period. An immediate and sustained parallel 1% decrease to market interest rates at March 31, 2025 would have an estimated positive effect of $1.2 million (December 31, 2024 - adverse effect of $0.3 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, 2025 and December 31, 2024 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, 2025

At March 31, 2025								
(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								
Non-securitized	$1,379,026	$209,616	$578,886	$465,428	$ 31,468	$ 17,800	$ 324,904	$ 3,007,128
Securitization	195,833	67,997	487,170	943,870	658,661	—	82,691	2,436,222
	1,574,859	277,613	1,066,056	1,409,298	690,129	17,800	407,595	5,443,350
Liabilities								
Non-securitized	113,934	419,798	708,864	780,567	429,970	—	14,883	2,468,016
Securitization	194,250	58,263	466,641	1,083,888	564,927	—	—	2,367,969
	308,184	478,061	1,175,505	1,864,455	994,897	—	14,883	4,835,985
Shareholders' Equity	—	—	—	—	—	—	607,365	607,365
GAP	**$1,266,675**	**$(200,448)**	**$(109,449)**	**$(455,157)**	**$(304,768)**	**$ 17,800**	**$ (214,653)**	**$ —**
YIELD SPREAD	**3.44 %**	**1.36 %**	**1.37 %**	**0.75 %**	**0.43 %**	**4.03 %**		

Table 28: Interest Rate Sensitivity at December 31, 2024

At December 31, 2024								
(in thousands except %)	Floating Rate	Within 3 Months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Non Interest Sensitive	Total
Assets								
Non-securitized	$1,285,164	$158,375	$584,118	$486,236	$ 28,055	$ 4,368	$ 314,001	$ 2,860,317
Securitization	196,777	61,325	404,678	1,076,875	680,216	—	67,377	2,487,248
	1,481,941	219,700	988,796	1,563,111	708,271	4,368	381,378	5,347,565
Liabilities								
Non-securitized	107	301,555	813,428	755,448	417,793	—	36,809	2,325,140
Securitization	196,084	33,028	378,459	1,250,067	565,598	—	—	2,423,236
	196,191	334,583	1,191,887	2,005,515	983,391	—	36,809	4,748,376
Shareholders' Equity	—	—	—	—	—	—	599,189	599,189
GAP	**$1,285,750**	**$(114,883)**	**$(203,091)**	**$(442,404)**	**$(275,120)**	**$ 4,368**	**$ (254,620)**	**$ —**
YIELD SPREAD	**4.76 %**	**1.43 %**	**1.21 %**	**0.72 %**	**0.44 %**	**4.35 %**		

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 and real estate values, 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, 2025, there were 39,127,657 common shares outstanding (December 31, 2024 - 38,717,004). At May 7, 2025, there were 39,171,654 common shares outstanding.

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

- We have an ATM Program, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, allowing us to issue up to $30 million common shares to the public from time to time at the market prices prevailing at the time of sale. In Q1 2025, we sold 61,200 common shares at a weighted average price of $18.32 for gross proceeds of $1.1 million and net proceeds of $1.1 million including $22 thousand of agent commission paid and $1 thousand of other share issuance costs under the ATM Program. At March 31, 2025, we have $19.9 million remaining available to be issued through our ATM Program. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion.

We issued $4.5 million in new common shares in Q1 2025 (Q1 2024 - $8.2 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.

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 non-securitized 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, 2025						
(in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Mortgage funding commitments	$ 348,582	$ 131,076	$ 21,424	$ —	$ —	$ 501,082
Commitment - TAS Co	—	1,599	—	—	—	1,599
Commitment - TAS 4	—	6,380	4,269	—	—	10,649
Commitment - Harbour	1,500	1,500	1,000	500	—	4,500
Commitment - KSSMF	—	—	6,500	—	—	6,500
Commitment - Pearl	—	583	—	—	—	583
Commitment - Crown	1,515	7,276	—	—	—	8,791
Commitment - Fiera	459	1,558	706	706	1,500	4,929
Commitment - Broccolini	2,000	3,028	10,300	2,000	1,000	18,328
Commitment - KSHYF	—	—	—	—	28,844	28,844
	$ 354,056	**$ 153,000**	**$ 44,199**	**$ 3,206**	**$ 31,344**	**$ 585,805**

We retain mortgage servicing obligations relating to securitized insured multi-family mortgages where balance sheet derecognition has been achieved. At March 31, 2025, these derecognized securitized insured multi-family mortgages totalled $336 million. For further information on our securitization activities, refer to Note 9 to the interim consolidated financial statements.

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

DIVIDENDS

On May 7, 2025, the Board declared a regular quarterly cash dividend of $0.41 per share to be paid on June 30, 2025 to shareholders of record as at June 13, 2025.

In order to take advantage of the tax benefits provided by the MIC status, we pay out all of MCAN's non-consolidated taxable income to shareholders through dividends. As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income. Regular dividends are taxed as interest income to shareholders. We are able to pay capital gains dividends, which would be taxed as capital gains to shareholders. Dividends paid to foreign investors may be subject to withholding taxes. The Company has historically paid out regular dividends in cash but has the option to pay out its dividends in the form of cash or shares. In the event of a significant increase in taxable income relative to accounting income, the Company may look to pay out a combination of regular dividends in the form of cash and special dividends in the form of shares. This is consistent with our dividend policy and our obligations as a MIC, while at the same time providing a cost effective source of capital for the Company to support future growth and business operations.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions for the quarters ended March 31, 2025 and March 31, 2024 and related party balances at March 31, 2025 and December 31, 2024 are discussed in Notes 8 and 16 to the interim consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

The use of financial instruments exposes us to liquidity and funding, credit, interest rate and market risk. A discussion of these risks and how they are managed is found in the "Risk Factors" 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, 2025, we had 162 team members (December 31, 2024 - 142). Team members include full-time, part-time, contract and students, as applicable.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

For a detailed discussion of critical accounting estimates and judgments, refer to the "Critical Accounting Estimates and Judgments" section of the 2024 Annual MD&A.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At March 31, 2025, the Chief Executive Officer and Chief Financial Officer 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 Chief Executive Officer and Chief Financial Officer 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, 2025 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 and Ratios

Net Non-securitized Mortgage Spread Income
Non-GAAP financial measure that is an indicator of net interest profitability of income-earning non-securitized mortgage assets less cost of funding for our non-securitized mortgage portfolio. It is calculated as the difference between non-securitized 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 Non-securitized Mortgage Spread Income

(in thousands) **For the Periods Ended March 31**	**2025**	**2024**	**Change ($)**
Mortgage interest - non-securitized assets	$ 45,148	$ 48,008	
Term deposit interest and expenses	24,882	26,070	
Net Non-securitized Mortgage Spread Income	**$ 20,266**	**$ 21,938**	**$ (1,672)**

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**	**2025**	**2024**	**Change ($)**
Mortgage interest - securitized assets	$ 18,742	$ 13,340	
Interest on financial liabilities from securitization	16,036	11,187	
Net Securitized Mortgage Spread Income	**$ 2,706**	**$ 2,153**	**$ 553**

Pre-Provision Pre-Tax Income and Pre-Provision Pre-Tax Basic and Diluted Earnings per Share
This is net income or basic and diluted earnings per share excluding (i) provisions for (recoveries of) credit losses; and (ii) provisions for (recoveries of) income taxes.

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 - non-securitized 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 Non-securitized Mortgages over Term Deposit Interest and Expenses
Supplementary financial measure that is an indicator of net interest profitability of income-earning non-securitized mortgage assets less cost of funding. The spread of non-securitized mortgages over term deposit interest and expenses is calculated by taking the total non-securitized mortgage interest as a percentage of the average non-securitized 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 the related total mortgage principal for uninsured residential mortgage, residential mortgage (non-securitized and securitized), non-securitized mortgage (residential, construction and commercial) and total mortgage (all non-securitized 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.

Total Shareholder Return
Supplementary financial measure that is defined as the total return of one share to a shareholder including stock appreciation and dividends.

Assets under Management
Supplementary financial measure that is defined as total balance sheet assets and assets derecognized but still managed by MCAN.

Compound Annual Growth Rate
Supplementary financial measure that is defined as the average annual growth rate over a set period, taking into account the effects of compounding.

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.