

MCAN FINANCIAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

DECEMBER 31, 2024

MCANFINANCIAL.COM
TSX: MKP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

MCAN Mortgage Corporation is doing business as ("d/b/a") MCAN Financial Group ("MCAN", the "Company" or "we"). This Management's Discussion and Analysis of Operations ("MD&A") should be read in conjunction with the consolidated balance sheets and accompanying notes at December 31, 2024 and December 31, 2023 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which are the Generally Accepted Accounting Principles ("GAAP") in Canada, and presented in Canadian currency. This MD&A has been presented as of February 24, 2025.

Additional information regarding MCAN, including copies of our 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.

TABLE OF CONTENTS - MD&A

A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS 3
SELECTED FINANCIAL INFORMATION 4
BUSINESS OVERVIEW AND OUTLOOK 8
HIGHLIGHTS 11
RESULTS OF OPERATIONS 16
FINANCIAL POSITION 25
CAPITAL MANAGEMENT 37
RISK FACTORS 41
DESCRIPTION OF CAPITAL STRUCTURE 46
OFF-BALANCE SHEET ARRANGEMENTS 46
DIVIDEND POLICY AND RECORD 47
TRANSACTIONS WITH RELATED PARTIES 47
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS 47
PEOPLE 47
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS 48
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING 49
NON-GAAP AND OTHER FINANCIAL MEASURES 50
GLOSSARY 51

A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

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

- the current business environment, economic environment and outlook;
- possible or assumed future results;
- our ability to create shareholder value;
- our business goals and strategy;
- the potential impact of new regulations and changes to existing regulations;
- the stability of home prices;
- the effect of challenging conditions on us;
- the performance of our investments;
- factors affecting our competitive position within the housing lending market;
- international trade, international economic uncertainties, failures of international financial institutions and geopolitical uncertainties and their impact on the Canadian economy;
- sufficiency of our access to liquidity and capital resources;
- the timing and effect of interest rate changes on our cash flows; and
- the declaration and payment of dividends.

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

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

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

External geopolitical conflicts and government and Bank of Canada economic policy have resulted in uncertainty relating to the Company's internal expectations, estimates, projections, assumptions and beliefs, including with respect to the Canadian economy, employment conditions, interest rates, supply chain issues, 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 - Annual

(in thousands except per share amounts, % and where indicated)			Change		Change
At December 31	**2024**	**2023**	**(%)**	**2022**	**(%)**
Income Statement Highlights					
Mortgage interest - corporate assets [A]	$ 191,706	$ 165,997	15%	$ 101,286	89%
Term deposit interest and expenses [B]	$ 108,259	$ 78,219	38%	$ 44,222	145%
Net corporate mortgage spread income[1] [A-B]	$ 83,447	$ 87,778	(5%)	$ 57,064	46%
Equity income from MCAP Commercial LP	$ 28,803	$ 22,010	31%	$ 26,603	8%
Net loss on securities	$ (6,343)	$ (3,622)	75%	$ (12,074)	(47%)
Net investment income - corporate assets	$ 110,135	$ 107,547	2%	$ 79,805	38%
Net investment income - securitization assets	$ 6,156	$ 4,252	45%	$ 3,898	58%
Net income	$ 77,586	$ 77,498	—%	$ 55,354	40%
Basic and diluted earnings per share	$ 2.06	$ 2.22	(7%)	$ 1.77	16%
Dividends per share - cash	$ 1.56	$ 1.48	5%	$ 1.44	8%
Dividends per share - stock	$ —	$ —	n/a	$ 0.97	(100%)
Next quarter's dividend per share - cash	$ 0.41				
Return on average shareholders' equity [1]	13.40 %	15.05 %	(1.65%)	12.47 %	0.93%
Taxable income per share[2]	$ 1.86	$ 1.31	42%	$ 1.29	44%
Yields					
Spread of corporate mortgages over term deposit interest and expenses [1]	2.92 %	3.57 %	(0.65%)	2.82 %	0.10%
Spread of securitized mortgages over liabilities [1]	0.49 %	0.39 %	0.10%	0.47 %	0.02%
Average term to maturity (in months)					
Mortgages - corporate	9.5	12.7	(25%)	11.4	(17%)
Term deposits	18.5	18.5	—%	16.0	16%
Balance Sheet Highlights					
Total assets	$ 5,347,565	$ 4,739,087	13%	$ 4,078,676	31%
Mortgages - corporate	$ 2,464,091	$ 2,414,855	2%	$ 1,939,494	27%
Mortgages - securitized	$ 2,419,871	$ 1,929,948	25%	$ 1,751,303	38%
Total liabilities	$ 4,748,376	$ 4,207,243	13%	$ 3,589,366	32%
Shareholders' equity	$ 599,189	$ 531,844	13%	$ 489,310	22%
Capital Ratios					
Income tax assets to capital ratio[2]	5.24	5.52	(5%)	4.93	6%
CET 1 & Tier 1 capital ratio [4]	19.02 %	17.61 %	1.41%	19.60 %	(0.58%)
Total capital ratio [4]	19.28 %	17.91 %	1.37%	19.83 %	(0.55%)
Leverage ratio [3]	9.72 %	9.49 %	0.23%	9.83 %	(0.11%)
Credit Quality					
Impaired mortgage ratio (corporate) [1]	2.46 %	3.26 %	(0.80%)	1.66 %	0.80%
Impaired mortgage ratio (total) [1]	1.25 %	1.82 %	(0.57%)	0.89 %	0.36%
Mortgage Arrears					
Corporate	$ 96,368	$ 112,789	(15%)	$ 54,430	77%
Securitized	4,103	4,661	(12%)	3,439	19%
Total	$ 100,471	$ 117,450	(14%)	$ 57,869	74%
Common Share Information (end of period)					
Number of common shares outstanding	38,717	35,432	9%	34,306	13%
Book value per common share [1]	$ 15.48	$ 15.01	3%	$ 14.26	9%
Common share price - close	$ 18.25	$ 15.89	15%	$ 15.00	22%
Market capitalization ($ million)	$ 707	$ 563	26%	$ 515	37%

[1] Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.
[2] For further information refer to the "Taxable Income" and "Income Tax Capital" sections of this MD&A. Tax balances are calculated in accordance with the Tax Act.
[3] This measure has been calculated in accordance with OSFI's Leverage Requirements guidelines. Mortgages securitized through the market MBS program and CMB program for which derecognition has not been achieved are included in regulatory assets in the leverage ratio. For further information, refer to the "Capital Management" section of this MD&A.
[4] These measures have been calculated in accordance with OSFI's Capital Adequacy Requirements guidelines. Effective March 31, 2020, the total capital ratios in 2022 reflected the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital were included in CET 1 capital. The adjustment to CET 1 capital was measured each quarter as the increase, if any, in stage 1 and stage 2 allowances compared to the corresponding allowances at December 31, 2019. The increase, if any, was subject to a scaling factor that decreased over time and was 25% in fiscal 2022.

Table 2: Financial Statement Highlights - Quarterly

(in thousands except per share amounts, % and where indicated)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Income Statement Highlights								
Mortgage interest - corporate assets [A]	$47,209	$48,067	$48,422	$48,008	$47,406	$44,144	$38,691	$35,756
Term deposit interest and expenses [B]	$26,642	$28,021	$27,526	$26,070	$24,361	$21,083	$18,034	$14,741
Net corporate mortgage spread income[1] [A-B]	$20,567	$20,046	$20,896	$21,938	$23,045	$23,061	$20,657	$21,015
Equity income from MCAP Commercial LP	$ 7,227	$ 6,667	$ 7,726	$ 7,183	$ 4,429	$ 4,310	$ 5,268	$ 8,003
Net gain (loss) on securities	$(11,326)	$ 5,671	$ (715)	$ 27	$ 1,977	$(1,581)	$(5,017)	$ 999
Net investment income - corporate assets	$17,180	$33,598	$28,760	$30,597	$28,130	$25,656	$23,139	$30,622
Net investment income - securitization assets	$ 2,019	$ 1,620	$ 1,203	$ 1,314	$ 1,451	$ 770	$ 1,159	$ 872
Net income	$ 7,725	$26,892	$19,749	$23,220	$19,855	$18,479	$15,887	$23,277
Basic and diluted earnings per share	$ 0.20	$ 0.70	$ 0.52	$ 0.65	$ 0.56	$ 0.53	$ 0.46	$ 0.67
Dividends per share - cash	$ 0.39	$ 0.39	$ 0.39	$ 0.39	$ 0.38	$ 0.38	$ 0.36	$ 0.36
Return on average shareholders' equity [1]	5.14 %	18.16 %	13.63 %	17.09 %	15.01 %	14.20 %	12.47 %	18.60 %
Taxable income (loss) per share [2]	$ 0.51	$ 0.25	$ 0.44	$ 0.67	$ (0.13)	$ 0.45	$ 0.66	$ 0.33
Spreads								
Spread of corporate mortgages over term deposit interest and expenses [1]	2.83 %	2.78 %	2.93 %	3.14 %	3.34 %	3.49 %	3.63 %	3.78 %
Spread of securitized mortgages over liabilities [1]	0.54 %	0.49 %	0.46 %	0.46 %	0.39 %	0.42 %	0.39 %	0.39 %
Average term to maturity (in months)								
Mortgages - corporate	9.5	12.9	12.1	11.5	12.7	13.1	12.7	11.5
Term deposits	18.5	19.1	19.2	18.2	18.5	19.2	16.1	14.9
Balance Sheet Highlights ($ million)								
Total assets	$ 5,348	$ 5,213	$ 5,097	$ 4,894	$ 4,739	$ 4,540	$ 4,427	$ 4,152
Mortgages - corporate	$ 2,464	$ 2,472	$ 2,500	$ 2,385	$ 2,415	$ 2,338	$ 2,224	$ 2,037
Mortgages - securitized	$ 2,420	$ 2,290	$ 2,170	$ 2,095	$ 1,930	$ 1,835	$ 1,755	$ 1,724
Total liabilities	$ 4,748	$ 4,611	$ 4,512	$ 4,318	$ 4,207	$ 4,013	$ 3,910	$ 3,645
Shareholders' equity	$ 599	$ 602	$ 585	$ 576	$ 532	$ 528	$ 517	$ 507
Capital Ratios								
Income tax assets to capital ratio [2]	5.24	5.38	5.34	5.14	5.52	5.14	5.22	5.02
CET 1 & Tier 1 capital ratios [4]	19.02 %	19.94 %	19.10 %	19.00 %	17.61 %	17.72 %	17.90 %	19.59 %
Total capital ratio [4]	19.28 %	20.19 %	19.35 %	19.23 %	17.91 %	17.98 %	18.14 %	19.81 %
Leverage ratio [3]	9.72 %	9.99 %	9.85 %	10.11 %	9.49 %	9.76 %	9.71 %	9.94 %
Credit Quality								
Impaired mortgage ratio (corporate) [1]	2.46 %	2.26 %	3.50 %	3.42 %	3.26 %	1.76 %	1.70 %	1.92 %
Impaired mortgage ratio (total) [1]	1.25 %	1.19 %	1.90 %	1.83 %	1.82 %	0.99 %	0.96 %	1.05 %
Mortgage Arrears								
Corporate	$96,368	$139,427	$136,499	$136,175	$112,789	$85,513	$63,651	$54,873
Securitized	4,103	6,333	5,278	6,085	4,661	4,438	5,130	4,096
Total	$100,471	$145,760	$141,777	$142,260	$117,450	$89,951	$68,781	$58,969
Common Share Information (end of period)								
Number of common shares outstanding	38,717	38,463	38,153	37,831	35,432	35,432	35,068	34,788
Book value of common share [1]	$ 15.48	$ 15.65	$ 15.34	$ 15.24	$ 15.01	$ 14.89	$ 14.73	$ 14.58
Common share price - close	$ 18.25	$ 17.98	$ 16.10	$ 15.73	$ 15.89	$ 15.13	$ 15.36	$ 15.00
Market capitalization ($ million)	$ 707	$ 692	$ 614	$ 595	$ 563	$ 536	$ 539	$ 522

[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.

Annual Trends

- Net income increased over the three year period mainly due to growth in our corporate mortgage and securitized portfolios and higher equity income from our investment in MCAP.

- For 2024 compared to 2023, our net income increased slightly due to growth in our mortgage portfolios, higher equity income from our investment in MCAP, and higher spread on our securitized mortgages. This was partially offset by a lower spread on our corporate mortgages in a declining interest rate environment and unrealized losses on our non-marketable securities. Our corporate and securitized assets continued to grow into 2024 compared to 2023 due to higher net origination volumes and solid renewals, and increases in our capital base from our overnight marketed offering and our at-the-market equity program ("ATM Program").

- For 2023 compared to 2022, our net income was positively impacted by growth in our mortgage portfolios as well as higher spread of corporate mortgages over term deposit interest and expenses. This was partially offset by unrealized fair value losses on our REIT portfolio. Our corporate and securitized assets continued to grow in 2023 compared to 2022 due to high net origination volumes, including strong renewals in our residential mortgages.

- Taxable income fluctuations in the three year period are mainly due to taxable income recorded from our investment in MCAP Commercial LP ("MCAP"). As a result of an increase in taxable income in 2021, the Board of Directors ("Board") declared a special stock dividend in 2022 in order to distribute all of MCAN's taxable income, net of loss carryforwards used.

Quarterly Trends

- In 2023, we saw some stabilization in interest rates compared to prior periods, but still with a total of 75 basis points increase in interest rates 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 2024, we also recorded higher equity income from MCAP.

- 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 corporate mortgages over term deposit interest and expenses. Beginning in Q2 2024, we saw a larger decline in our spread of corporate mortgages over term deposit interest and expenses as rates on our corporate mortgages fell faster than our term deposits in the declining interest rate environment. In Q4 2024, we saw a slight increase in our spread of corporate mortgages over term deposit interest and expenses due to our hedging strategy lowering our term deposit costs.

- We saw spreads decline on securitizations in the first half of 2023 as a result of a decline in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields 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 2023, we had higher taxable income from our core business as well as from our investment in MCAP. In Q4 2023, we had lower taxable income as a result of tax timing differences on various investing strategies that we engaged in. In 2024, we had higher taxable income mainly as a result of higher taxable income from MCAP.

- Common Equity Tier 1 ("CET 1"), Tier 1 Capital and Total Capital to risk-weighted assets ratio reductions are generally due to our growing risk-weighted assets compared to our capital base. The Company

successfully initiated a $28.8 million capital raise by way of an overnight marketed offering in March 2024. In 2023 and 2024, we also raised $2 million and $7 million, respectively, of capital through our at-the-market equity program ("ATM Program"). In Q2 2023, our total capital and leverage ratios decreased due to Office of the Superintendent of Financial Institutions Canada's ("OSFI") revised rules that incorporate Basel III reforms that came into effect. Improvement to our ratios in Q1 and Q2 2024 was due to our overnight marketed offering mentioned above. 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 Q3 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 63.7% at December 31, 2024 based on an industry index of current real estate values. For the construction and commercial mortgage arrears, these loans have either been brought current or we expect them to be brought current, or we have initiated asset recovery programs. We have a strong track record with our default management processes and asset recovery programs as the need arises. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.

BUSINESS OVERVIEW AND OUTLOOK

We focus over the long term on growing our business and shareholder returns. We believe that our long-term strategy will continue to serve us well, though we also consider the current market conditions in the execution of that strategy. Over the short to mid-term, our focus is on continuing to grow our business and our returns within our capital requirements and risk appetite, working with our strategic partners, and investing in infrastructure and process improvements to drive efficiencies. 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 from our experience, our market knowledge, and sources we consider reliable.

Economic Outlook

The Canadian economy is in a period of heightened political and economic uncertainty. Canada is still recovering from high interest rates with higher unemployment, declining gross domestic product ("GDP") per capita and a soft labour market. 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 rate cuts is downwards through 2025 and there is a reasonable expectation inflation will remain close to their target. Higher leveraged households and a weakening job market have shifted consumer spending toward debt servicing and more conservative spending habits. High immigration has helped gross domestic product but it has not led to better economic growth per capita. Although much of the Canadian consumer market continues to demonstrate credit strength, there is increasing delinquency rates on non-housing-related consumer debt and some pullback on consumer spending that indicates that the tighter monetary policy and high interest rates have worked their way through the economy. We expect 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. Recent forecasts of further interest rate cuts will provide some relief to homebuyers in the short-term; however, we do not expect a sustained recovery until interest rates come down more meaningfully and geopolitical tensions de-escalate. In the long term, we believe that further interest rate cuts and the continued supply-demand imbalance will provide upward pressure on sale and home price growth, particularly in and around our core markets of (i) the Greater Toronto area; (ii) the Capital region; and (iii) the Greater Vancouver area. However, housing affordability 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. Federal government policy changes, including expanding the maximum mortgage amortization and raising the cap on insured mortgages, will likely lift home sales but further erode affordability. The lack of supply of affordable housing is not easily resolved in the short term, as there are multiple factors to building new supply (i.e. local/municipal government processes, skilled labour shortages, increased construction costs including higher construction financing rates, lack of new construction technologies, etc.) that limit how many homes can be built in the short term.

Business Outlook

We believe that our business is well structured with its focus on multiple facets of the Canadian residential real estate market, giving us some flexibility in terms of income generation and allowing us to balance out volatility that we may experience at certain points and in certain areas of our business. We believe that there is opportunity to focus on and expand our core business 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, as well as our investments in REITs and private real estate-based development and loan funds. We expect continued high demand for more affordable housing, which is our 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 try to maintain our current balances. Specifically with respect to construction zoning site delays as well as the aforementioned housing market headwinds on our construction lending portfolio, the vast majority of our loans are progressing towards completion and the few that have stalled are being actively managed to either be brought current or asset recovery programs have been initiated. We continue to monitor that entire portfolio and the market very closely, and we will continue to exercise our strong credit management practices in the context of the market. As well, the cost of construction has increased due to inflationary pressures in the cost of building materials and labour, and there continues to be a shortage of skilled labour within the construction industry. Any changes in 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. With respect to our private real estate-based development funds, many of the fund sponsors have been sitting on the sidelines, not committing amounts to new projects given current market conditions. We believe this to be a prudent approach. MCAN has invested in these current funds for long-term returns and we have no plans for new investments at this time. For projects currently being undertaken, we actively monitor their progress and the fair values of those projects may experience volatility from quarter to quarter. With respect to our REIT portfolio, the expected interest rate cuts should improve market valuations.

MCAN Home Division

Our MCAN Home division manages our residential lending business. Given the current interest rate 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 order to attract what demand is coming in for both originations and renewals, when more meaningful interest rate cuts occur and federal government policy actions mentioned above come into effect; however, the economic impact of the current geopolitical environment remains uncertain. We are looking to add new products to further broaden our offering to our customers. We remain dedicated to continuously improving our service for our borrowers and the broker community, and as such, we will continue to invest in our current and new systems and business infrastructure to further enhance our service experience. We will also look to expand to other urban markets within Canada. We will continue to keep abreast of the many changes in the market, the regulatory environment and in our portfolios that could impact our business or that could create opportunities in line with our risk appetite.

MCAN Wealth Division

Our MCAN Wealth division manages our term deposit business. We issue both retail and wholesale term deposits that are eligible for CDIC deposit insurance that are sourced through a network of independent brokers and financial agents, as well as through our digital direct-to-consumer platform. We expect solid originations of term deposits to maintain the level of corporate 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 corporate mortgage portfolio. We will continue to utilize our hedging strategies to minimize interest rate risk in a declining rate environment, particularly as our floating rate construction lending portfolio floats down to floor rates. We will continue to expand our broker networks, grow our direct-to-consumer platform and look for other channels to source term deposits. We have invested in, and expect to continue to invest in, our current and new systems and business infrastructure and processes to drive efficiencies.

We are expanding and maturing our capital markets, investor relations and funding 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 program and other share offerings when it makes sense. MCAN's management and Board are committed to proactively and effectively managing and evolving all our strategies, business activities and team to achieve our targeted average annual growth in corporate assets over the long term of 10%.

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

HIGHLIGHTS

Q4 2024

- Net income totalled $7.7 million in Q4 2024, a decrease of $12.2 million (61%) from $19.9 million in Q4 2023. Results for the fourth quarter of 2024 were mainly impacted by higher unrealized losses on our REIT and non-marketable securities portfolios in the current economic environment and higher operating expenses.

- Earnings per share totalled $0.20 in Q4 2024, a decrease of $0.36 (64%) from earnings per share of $0.56 in Q4 2023.

- Return on average shareholders' equity[1] was 5.14% for Q4 2024 compared to 15.01% in Q4 2023.

- Net corporate mortgage spread income[1] is derived from both our residential lending portfolio and our construction and commercial portfolio. It decreased by $2.5 million from Q4 2023. The net corporate mortgage spread income decreased due to a reduction in the spread of corporate mortgages over term deposit interest and expenses partially offset by a higher average corporate mortgage portfolio balance from continued mortgage originations and renewals. The decrease in the spread of corporate mortgages over term deposit interest and expenses is 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. In Q4 2024, we saw the spread of corporate mortgages over term deposit interest and expenses improve compared to Q3 2024 due to a faster reduction in term deposit and related hedges compared to our mortgage rates. Term deposit costs are also higher as we utilized them for funding instead of our short-term loan facilities. We had $1.3 million lower financing costs on our short-term facilities in Q4 2024 compared to Q4 2023.

- Net securitized mortgage spread income[1] increased by $1.3 million from Q4 2023. The net securitized mortgage spread income increased due to a higher spread of securitized mortgages over liabilities and a higher average securitized mortgage portfolio balance from higher securitization volumes of insured residential mortgages exceeding maturities. We have seen better economics on securitizations as the spread of Government of Canada bond yields versus our mortgage rates widened in a declining interest rate environment.

- Provision for credit losses on our corporate mortgage portfolio of $1.2 million in Q4 2024 was mainly due to growth in our mortgage portfolio and provisioning on impaired residential construction loans partially offset by improvements to economic forecasts, particularly falling interest rates and a recovery in the housing price index. We have a strong track record with our asset recovery programs on our construction loans as the need arises. Our realized loan losses on our construction portfolio have been negligible in the last 10 years. In Q4 2023, we had a provision for credit losses of $2.1 million mainly due to growth in our portfolio, less favourable underlying economic forecasts relating to unemployment rates and housing prices, and model enhancements.

- Equity income from MCAP totalled $7.2 million in Q4 2024, an increase of $2.8 million (63%) from $4.4 million in Q4 2023, which was primarily due to (i) higher securitized mortgage net interest income from more favourable spreads and a higher average securitized portfolio; and (ii) higher mortgage origination fees as a result of wider mortgage spreads partially offset by hedge losses. These were partially offset by (i) higher interest expense on credit facilities; and (ii) higher securitization expenses.

- Net change in unrealized fair value loss on our marketable securities of $7.8 million in Q4 2024 compared to a $4.4 million net unrealized fair value gain in Q4 2023. We expect some recovery in the REIT market given a declining interest rate environment. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments. In Q4 2024, we received distributions of $0.8 million (distribution yield[1] of 6.13%) from our REITs compared to $0.8 million (distribution yield[1] of 7.23%) in Q4 2023.

- Net realized and change in unrealized fair value loss on our non-marketable securities of $3.6 million in Q4 2024 compared to a $2.5 million net change in unrealized fair value loss in Q4 2023 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. In Q4 2024, we had a $1.0 million realized gain related to the sale of an underlying property. 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.

Year to Date 2024

- Net income totalled $77.6 million for 2024, an increase of $0.1 million (—%) from $77.5 million net income in 2023. Our 2024 results were mainly impacted by higher income from MCAP and our securitization portfolio partially offset by lower corporate mortgage spread income in a declining interest rate environment and higher operating expenses.

- Earnings per share totalled $2.06 for 2024, a decrease of $0.16 (7%) from earnings per share of $2.22 in 2023.

- Return on average shareholders' equity[1] was 13.40% for 2024 compared to 15.05% in 2023.

- Net corporate mortgage spread income[1] decreased by $4.3 million from 2023. The net corporate mortgage spread income decreased due to a reduction in the spread of corporate mortgages over term deposit interest and expenses partially offset by a higher average corporate mortgage portfolio balance from continued originations and renewals. For 2024, the decrease in the spread of corporate mortgages over term deposit interest and expenses is mainly due to a larger increase in term deposit rates and related hedges compared to our mortgage rates, particularly our floating rate residential construction loans 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 $3.6 million lower financing costs on our short-term facilities for 2024 compared to 2023.

- Net securitized mortgage spread income[1] increased by $3.3 million from 2023. The net securitized mortgage spread income increased due to an increase in the spread of securitized mortgages over liabilities and a higher average securitized mortgage portfolio balance from higher securitization volumes of insured residential mortgages exceeding maturities. The increase in the net securitized mortgage spread income is due to the same factors as for Q4 2024 mentioned above.

- Provision for credit losses on our corporate mortgage portfolio of $3.3 million for 2024 mainly due to the same factors as Q4 2024. For 2023, there was a provision for credit losses of $4.5 million mainly due to the same factors as described for Q4 2023 mentioned above.

- Equity income from MCAP totalled $28.8 million for 2024, an increase of $6.8 million (31%) from $22.0 million for 2023. For 2024, the increase is mainly due to the same factors as for Q4 2024 mentioned above.

- Net change in unrealized fair value gain on our marketable securities of $0.8 million for 2024 compared to a $3.2 million net unrealized fair value loss for 2023. We expect some recovery in the REIT market given a declining interest rate environment. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments. In 2024, we received distributions of $3.1 million (distribution yield[1] of 6.05%) from our REITs compared to $3.6 million (distribution yield[1] of 6.44%) in 2023.

- Net realized and change in unrealized fair value loss on our non-marketable securities of $7.1 million for 2024 mainly related to the same factors as for Q4 2024 mentioned above. For 2023, we had a $0.4 million net change in unrealized fair value loss on our non-marketable securities investments due to the same factors as described for Q4 2023 mentioned above. 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.

Business Activity and Balance Sheet

- Our balance sheet management reflects our focus in the short to mid term on maintaining solid net interest margin within our capital requirements and risk appetite.

- Corporate assets totalled $2.86 billion at December 31, 2024, a net decrease of $20 million (1%) from September 30, 2024 and a net increase of $104 million (4%) from December 31, 2023.

- Corporate mortgage portfolio totalled $2.5 billion at December 31, 2024, a net decrease of $8 million (—%) from September 30, 2024 and a net increase of $49 million (2%) from December 31, 2023.

- Construction and commercial portfolios totalled $1.10 billion at December 31, 2024, a net increase of $81 million (8%) from September 30, 2024 and a net decrease of $12 million (1%) from December 31, 2023. The movement in the portfolio is attributed to originations and repayments on completing projects. Construction and commercial loan originations were $233 million in Q4 2024, an increase of $97 million (71%) from Q3 2024 and an increase of $47 million (25%) from Q4 2023 and $653 million (2% decrease) in fiscal 2024 compared to $666 million in 2023. Originations have been solid this year and some extensions of projects due to normal construction delays or normal delays relating to the permitting and zoning process meant that we have not experienced as much run-off in the portfolio as expected. To date, projects continue to progress toward completion.

- Uninsured residential mortgage portfolio totalled $1.11 billion at December 31, 2024, a net increase of $7 million (1%) from September 30, 2024 and a net increase of $147 million (15%) from December 31, 2023. Uninsured residential mortgage originations were $118 million in Q4 2024, an increase of $4 million (3%) from Q3 2024 and an increase of $51 million (75%) from Q4 2023 and $430 million (22% increase) in fiscal 2024 compared to $352 million in 2023. We continue to see solid uninsured residential mortgage renewals with $449 million in fiscal 2024 compared to $495 million in 2023, as borrowers find it more convenient to stay with their existing lender in the current market environment. We actively manage origination and renewal volumes in order to protect our net interest margins and our bottom line.

- Securitized insured residential mortgages totalled $2.42 billion at December 31, 2024, a net increase of $130 million (6%) from September 30, 2024 and a net increase of $490 million (25%) from December 31, 2023. As we have seen more favourable securitization spreads, we opted to securitize our insured residential mortgages as opposed to selling them at the commitment stage. Insured residential mortgage securitization volumes were $211 million in Q4 2024, a decrease of $9 million (4%) from Q3 2024 and an increase of $83 million (65%) from Q4 2023, and $803 million (123%) in fiscal 2024 compared to $359 million in 2023. Insured residential mortgage originations were $110 million in Q4 2024, a decrease of $61 million (36%) from Q3 2024 and a decrease of $38 million (25%) from Q4 2023, and $638 million (22% increase) in fiscal 2024 compared to $523 million in 2023. This includes $14 million insured residential mortgage commitments originated and sold in Q4 2024 compared to $0.4 million in Q3 2024 and $nil in Q4 2023, and $15 million in fiscal 2024 compared to $25 million in 2023. Overall, total insured residential mortgage origination volumes are higher due to prior year's economic uncertainty and the higher interest rate environment impacting prior year origination volumes. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages. We use various channels in funding the insured residential mortgage portfolio, in the context of market conditions and net contributions over the life of the mortgages, in order to support our overall business.

Dividend

- The Board declared a first quarter regular cash dividend of $0.41 per share (an increase of 5% from our fourth quarter 2024 dividend) to be paid March 31, 2025 to shareholders of record as of March 14, 2025. As a Mortgage Investment Corporation ("MIC"), we are entitled to deduct the dividends that we pay to shareholders from our taxable income.

Credit Quality

- Arrears total mortgage ratio[1] was 2.06% at December 31, 2024 compared to 3.06% at September 30, 2024 and 2.70% at December 31, 2023. The majority of our residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. While greater than 30 days arrears has increased in our uninsured residential mortgages, we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 63.7% at December 31, 2024 compared to 63.5% at September 30, 2024 and 63.4% at December 31, 2023 based on an industry index of current real estate values. We have also seen our arrears total mortgage ratio decline since Q1 2024. With respect to our construction and commercial loan portfolio, we have a strong track record with our default management processes and asset recovery programs as the need arises.

- Impaired corporate mortgage ratio[1] was 2.46% at December 31, 2024 compared to 2.26% at September 30, 2024 and 3.26% at December 31, 2023. At December 31, 2024, impaired mortgages mainly represent five impaired construction mortgages where asset recovery programs have been initiated.

- Impaired total mortgage ratio[1] was 1.25% at December 31, 2024 compared to 1.19% at September 30, 2024 and 1.82% at December 31, 2023. The decrease to our impaired total mortgage ratio is mainly due to fewer impaired construction mortgages as they were either brought current or we recovered all past due interest and principal.

- Net write-offs were $0.2 million (3.7 basis points of the average corporate portfolio) in Q4 2024 compared to $0.3 million (5.7 basis points) in Q4 2023; annual write-offs were $0.3 million (1.0 basis points) in 2024 compared to $0.3 million (1.5 basis points) in 2023. Write-offs in 2024 related to one loan in our uninsured residential mortgage portfolio. Write-offs in 2023 related to one loan in our uninsured residential mortgage portfolio and interest on one paid out construction loan.

Capital

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

- We have a Base Shelf prospectus allowing us to make certain public offerings of debt or equity securities during the period that it is effective, through Prospectus Supplements.
    - On March 28, 2024, we closed an overnight marketed offering, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, at a price of $15.40 per common share for gross proceeds of $28.8 million and net proceeds of $27.2 million including share issuance costs.
    - We have an ATM Program, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, allowing us to issue up to $30 million common shares to the public from time to time at the market prices prevailing at the time of sale. In Q4 2024, we sold 221,500 common shares at a weighted average price of $18.73 for gross proceeds of $4.1 million and net proceeds of $4.0 million including $83 thousand of agent commission paid and $100 thousand of other share issuance costs under the ATM Program. In fiscal 2024, we sold 404,100 common shares at a weighted average price of $18.29 for gross proceeds of $7.4 million and net proceeds of $7.0 million including $0.1 million of agent commission paid and $0.3 million of other share issuance costs under the ATM Program. At December 31, 2024, we have $21.0 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 $14.8 million in new common shares through the Dividend Reinvestment Plan ("DRIP") in 2024 compared to $14.5 million in 2023. The DRIP participation rate was 14% for the 2024 fourth quarter dividend (2023 fourth quarter dividend - 30%). The DRIP participation rate for 2024 dividends was 22% (2023 - 29%).

- Income tax assets to capital ratio[3] was 5.24 at December 31, 2024 compared to 5.38 at September 30, 2024 and 5.52 at December 31, 2023.

- CET 1 and Tier 1 Capital to risk-weighted assets ratios[2] were 19.02% at December 31, 2024 compared to 19.94% at September 30, 2024 and 17.61% at December 31, 2023. Total Capital to risk-weighted assets ratio[2] was 19.28% at December 31, 2024 compared to 20.19% at September 30, 2024 and 17.91% at December 31, 2023. Leverage ratio[2] was 9.72% at December 31, 2024 compared to 9.99% at September 30, 2024 and 9.49% at December 31, 2023. Improvement to our capital and leverage ratios was due to our capital raises in 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 %)								
	Q4	Q3	Change	Q4	Change	Annual	Annual	Change
For the Periods Ended	**2024**	**2024**	**(%)**	**2023**	**(%)**	**2024**	**2023**	**(%)**
Net Investment Income - Corporate Assets								
Mortgage interest	$ 47,209	$ 48,067	(2%)	$ 47,406	—%	$191,706	$165,997	15%
Equity income from MCAP Commercial LP	7,227	6,667	8%	4,429	63%	28,803	22,010	31%
Non-marketable securities	1,927	1,966	(2%)	2,066	(7%)	7,723	8,772	(12%)
Marketable securities	775	765	1%	828	(6%)	3,057	3,625	(16%)
Fees	873	1,024	(15%)	728	20%	3,526	2,417	46%
Interest on cash and other income	842	920	(8%)	914	(8%)	3,927	4,061	(3%)
Net gain (loss) on securities	(11,326)	5,671	(300%)	1,977	(673%)	(6,343)	(3,622)	(75%)
Gain on dilution of investment in MCAP Commercial LP	—	—	n/a	—	n/a	680	1,048	(35%)
	47,527	**65,080**	**(27%)**	**58,348**	**(19%)**	**233,079**	**204,308**	**14%**
Term deposit interest and expenses	26,642	28,021	(5%)	24,361	9%	108,259	78,219	38%
Mortgage expenses	2,227	2,006	11%	2,098	6%	8,381	7,490	12%
Interest on loans payable	318	153	108%	1,645	(81%)	2,896	6,458	(55%)
Other financial expenses	—	—	n/a	—	n/a	150	100	50%
Provision for (recovery of) credit losses	1,160	1,302	(11%)	2,114	(45%)	3,258	4,494	(28%)
	30,347	**31,482**	**(4%)**	**30,218**	**—%**	**122,944**	**96,761**	**27%**
	17,180	**33,598**	**(49%)**	**28,130**	**(39%)**	**110,135**	**107,547**	**2%**
Net Investment Income - Securitization Assets								
Mortgage interest	18,535	16,593	12%	11,309	64%	63,163	39,335	61%
Other securitization income	546	593	(8%)	958	(43%)	2,017	2,234	(10%)
	19,081	**17,186**	**11%**	**12,267**	**56%**	**65,180**	**41,569**	**57%**
Interest on financial liabilities from securitization	15,511	14,064	10%	9,597	62%	53,255	32,769	63%
Mortgage expenses	1,551	1,502	3%	1,219	27%	5,769	4,548	27%
	17,062	**15,566**	**10%**	**10,816**	**58%**	**59,024**	**37,317**	**58%**
	2,019	**1,620**	**25%**	**1,451**	**39%**	**6,156**	**4,252**	**45%**
Operating Expenses								
Salaries and benefits	8,791	6,627	33%	5,316	65%	27,762	22,815	22%
General and administrative	4,004	1,699	136%	2,873	39%	11,975	10,757	11%
	12,795	**8,326**	**54%**	**8,189**	**56%**	**39,737**	**33,572**	**18%**
Net income before income taxes	6,404	26,892	(76%)	21,392	(70%)	76,554	78,227	(2%)
Recovery of income taxes	(1,321)	—	n/a	1,537	(186%)	(1,032)	729	(242%)
Net Income	**$ 7,725**	**$ 26,892**	**(71%)**	**$ 19,855**	**(61%)**	**$ 77,586**	**$ 77,498**	**—%**
Basic and diluted earnings per share	$ 0.20	$ 0.70	(71%)	$ 0.56	(64%)	$ 2.06	$ 2.22	(7%)
Dividends per share - cash	$ 0.39	$ 0.39	—%	$ 0.38	3%	$ 1.56	$ 1.48	5%

Net Investment Income - Corporate Assets

Mortgage Interest Income

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

For the Quarters Ended	December 31, 2024			September 30, 2024			December 31, 2023		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Residential mortgages									
Insured	$ 213,129	$ 1,998	3.86 %	$ 298,136	$ 3,148	4.21 %	$ 310,538	$ 3,428	4.40 %
Uninsured	1,109,751	18,969	6.82 %	1,078,502	18,692	6.92 %	955,780	15,593	6.50 %
Uninsured - completed inventory	98,697	2,221	8.95 %	89,001	2,085	9.31 %	39,041	1,001	10.17 %
Construction loans									
Residential	1,030,488	23,064	8.90 %	983,427	23,057	9.32 %	1,011,924	25,665	9.86 %
Non residential	6,054	123	8.09 %	5,202	116	8.87 %	2,546	65	10.15 %
Commercial loans									
Multi-family residential	33,139	834	7.60 %	55,472	969	8.40 %	78,146	1,576	9.00 %
Other	—	—	—	—	—	— %	4,515	78	9.40 %
Mortgages - corporate portfolio	$2,491,258	$ 47,209	7.53 %	$2,509,740	$ 48,067	7.66 %	$2,402,490	$ 47,406	7.80 %
Term deposit interest and expenses	2,213,808	26,642	4.70 %	2,252,227	28,021	4.88 %	2,118,745	24,361	4.46 %
Net corporate mortgage spread income[1]		$ 20,567			$ 20,046			$ 23,045	
Spread of corporate mortgages over term deposit interest and expenses [1]			2.83 %			2.78 %			3.34 %
Average term to maturity (months)									
Mortgages - corporate	9.5			12.9			12.7		
Term deposits	18.5			19.1			18.5		

Table 5: Net Mortgage Interest Income and Average Rate by Mortgage Portfolio - Annual

For the Years Ended December 31	2024			2023		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Residential mortgages						
Insured	$ 277,766	$ 11,613	4.20 %	$ 249,985	$ 9,964	3.98 %
Uninsured	1,050,156	71,806	6.83 %	897,265	53,987	6.01 %
Uninsured - completed inventory	72,775	6,822	9.37 %	28,588	2,783	9.73 %
Construction loans						
Residential	1,021,830	96,588	9.45 %	929,416	90,687	9.65 %
Non residential	3,978	349	8.76 %	1,454	120	8.23 %
Commercial loans						
Multi-family residential	49,978	4,477	8.95 %	94,674	8,133	8.59 %
Other commercial	555	51	9.25 %	5,851	323	5.51 %
Mortgages - corporate portfolio	$ 2,477,038	$ 191,706	7.74 %	$ 2,207,233	$ 165,997	7.47 %
Term deposit interest and expenses	2,204,590	108,259	4.82 %	1,956,612	78,219	3.90 %
Net corporate mortgage spread income[1]		$ 83,447			$ 87,778	
Spread of corporate mortgages over term deposit interest and expenses [1]			2.92 %			3.57 %

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

Table 6: Mortgage Originations

(in thousands except %) For the Periods Ended	Q4 2024	Q3 2024	Change (%)	Q4 2023	Change (%)	Annual 2024	Annual 2023	Change (%)
Originations								
Residential mortgages - insured fixed [2]	$ 103,129	$ 169,507	(39%)	$ 122,397	(16%)	$ 581,796	$ 481,409	21%
Residential mortgages - insured adjustable rate [2]	7,257	1,830	297%	25,763	(72%)	56,384	41,605	36%
Residential mortgages - uninsured	118,474	114,624	3%	67,751	75%	429,723	352,238	22%
Residential mortgages - uninsured completed inventory [1]	46,966	23,065	104%	46,227	2%	132,718	65,168	104%
Residential construction [1]	233,207	135,077	73%	185,939	25%	647,116	658,735	(2%)
Non-residential construction [1]	119	1,437	(92%)	72	65%	6,154	3,383	82%
Commercial [1]	—	50	(100%)	—	n/a	50	3,675	(99%)
	$ 509,152	**$ 445,590**	**14%**	**$ 448,149**	**14%**	**$1,853,941**	**$1,606,213**	**15%**

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

Overview

For fiscal 2024, the decrease in the spread of corporate mortgages over term deposit interest and expenses compared to 2023 is mainly due to (i) an increase in average term deposit rates including related hedges generally exceeding the pace of increase in our mortgage portfolio, given the amount of term deposits we originated coupled with the impact of maturing lower-rate term deposits; and (ii) higher competition for residential mortgage originations, particularly insured mortgages, and forecasted interest rate cuts put pressure on new mortgage origination rates. For Q4 2024 compared to Q4 2023, the decrease is similar to fiscal 2024 except the declining rate environment's impact on our floating rate residential construction portfolio lowered our overall average mortgage rate. For Q4 2024 compared to Q3 2024, the increase is mainly due to a larger decrease in our term deposit rates including related hedges due to interest rate cuts. We actively manage our interest rate risk by continually reviewing, and if necessary, changing the laddering of the duration of our term deposits relative to our corporate mortgage portfolio as well as utilizing our hedging strategies to lock-in spreads. For information on our term deposit fair value hedging, see "Derivatives and Hedging" sub-section below. Term deposit costs are also higher as we utilized them for funding instead of our short-term loan facilities. We had $1.3 million lower financing costs on our short-term facilities in Q4 2024 compared to Q4 2023 and $3.6 million lower financing costs in fiscal 2024 compared to 2023.

Residential Mortgage Lending

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

Excluding uninsured completed inventory, which is invested in opportunistically as deals arise, total origination volumes in Q4 2024, Q3 2024 and fiscal 2024 on our residential mortgages were higher compared to Q4 2023 and fiscal 2023. The economic and interest rate environment and its impact on the housing market and borrowers has slightly improved due to expectations about further interest rate cuts. Origination volumes this year compared to 2023 also improved as we continued to increase our mortgage lending in the Alberta and British Columbia urban markets. We also saw solid uninsured residential mortgage renewals with $449 million in 2024 compared to $495 million in 2023, as borrowers continue to find it more convenient to stay with their existing lender in the current market environment.

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

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

We have agreements whereby we can sell our (i) insured and uninsured residential mortgage commitments; and (ii) uninsured residential mortgage whole loans. We originated and sold $15 million in commitments in Q4 2024 (Q3 2024 - $2 million; Q4

2023 - $nil) and $16 million in fiscal 2024 (2023 - $25 million) under these agreements. In Q4 2024, we also sold $45 million of uninsured residential mortgage whole loans.

We securitize our insured residential mortgages opportunistically through the CMHC National Housing Act ("NHA") Mortgage-Backed Securities ("MBS") program. Our Q4 2024 residential mortgage securitization volumes were $211 million (Q3 2024 - $220 million; Q4 2023 - $128 million) and $803 million in fiscal 2024 (2023 - $359 million). As we have seen more favourable securitization spreads, we opted to securitize our insured residential mortgages as opposed to selling them at the commitment stage. Overall, total insured residential mortgage origination volumes are higher due to prior year's economic uncertainty and the higher interest rate environment impacting prior year origination volumes. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages. Renewals of securitized mortgages fluctuate each period depending on the maturities in the securitization portfolio.

Mortgage Renewal Rights

Through our origination platform, we retain the renewal rights to internally originated residential mortgages that are held as corporate or securitized mortgages or have been sold to third parties and derecognized from the 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 December 31, 2024, we had the renewal rights to $3.6 billion of residential mortgages (September 30, 2024 - $3.6 billion; December 31, 2023 - $3.1 billion).

Construction and Commercial

We continue to focus on growing our balances in our residential construction portfolio in selected markets, with our preferred borrowers and risk profile as they tend to provide comparatively higher yields given their risk profile. For Q4 2024 compared to Q3 2024 and Q4 2023, 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 partially offset by lower average residential construction rates from the declining interest rate environment for fiscal 2024 contributed to a slightly higher corporate mortgage interest compared to 2023. Since this portfolio is entirely at prime-based floating rates, we are utilizing our hedging strategies on term deposits to manage spreads on our construction and commercial loans in a decreasing interest rate environment. For information on our term deposit fair value hedging, see "Derivatives and Hedging" sub-section below.

Some projects have experienced construction delays due to labour shortages and cost overruns from higher interest costs and the inflationary impact on building supplies, which has led to some loan extension and amendment requests. To date, projects continue to progress toward completion. Current impaired construction mortgages include 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 in the last 10 years. Our prudent underwriting approach requires satisfactory borrower liquidity, guarantor net worth and presale requirements as applicable to the respective markets.

Equity Income from MCAP

In Q4 2024, MCAP's origination volumes were $6.3 billion, an increase from $5.3 billion in Q4 2023. For 2024, MCAP's origination volumes were $22.7 billion, an increase from $20.5 billion in 2023. At November 30, 2024 (we account for MCAP on a one-month lag basis), MCAP had $154.6 billion of assets under management compared to $154.1 billion at August 31, 2024 and $154.3 billion at November 30, 2023. Equity income from MCAP totalled $7.2 million in Q4 2024, an increase of $2.8 million from $4.4 million in Q4 2023. For Q4 2024, the increase in equity income from MCAP was primarily due to (i) higher securitized mortgage net interest income from more favourable spreads and a higher average securitized portfolio; and (ii) higher mortgage origination fees as a result of wider mortgage spreads partially offset by hedge losses. These were partially offset by (i) higher interest expense on credit facilities; and (ii) higher securitization expenses. For fiscal 2024, equity income from MCAP totalled $28.8 million, an increase of $6.8 million from $22.0 million 2023. For fiscal 2024, the increase in equity income from MCAP was due to the same factors as for Q4 2024 mentioned above.

We recognize equity income from MCAP on a one-month lag such that our 2024 equity income from MCAP is based on MCAP's net income for the year ended November 30, 2024. For further information on our equity investment in MCAP, refer to the "Equity investment in MCAP" sub-section of the "Financial Position" section of this MD&A.

Non-Marketable Securities

KingSett High Yield Fund ("KSHYF"): We received distribution income of $1.6 million in Q4 2024 (Q4 2023 - $1.7 million) and $6.3 million for fiscal 2024 (2023 - $7.5 million). The distribution yield[1] on this portfolio was 11.35% in Q4 2024 (Q4 2023 - 12.62%) and 11.53% for fiscal 2024 (2023 - 13.90%).

KingSett Senior Mortgage Fund LP ("KSSMF"): We received distribution income of $0.4 million in Q4 2024 (Q4 2023 - $0.3 million) and $1.5 million for fiscal 2024 (2023 - $1.3 million). The distribution yield[1] on this portfolio was 8.85% in Q4 2024 (Q4 2023 - 8.67%) and 8.97% for fiscal 2024 (2023 - 9.37%).

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

Marketable Securities

Marketable securities income consists primarily of distributions from the REIT portfolio. In Q4 2024, we received distributions of $0.8 million (distribution yield[1] of 6.13%) from our REITs compared to $0.8 million (distribution yield[1] of 7.23%) in Q4 2023. In fiscal 2024, we received distributions of $3.1 million (distribution yield[1] of 6.05%) from our REITs compared to $3.6 million (distribution yield[1] of 6.44%) in 2023. Lower distribution income on the REIT portfolio and fair value volatility throughout the year contributed mainly to the lower 2024 distribution yield.

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 Q4 2024, we recorded a net change in unrealized fair value loss on our marketable securities of $7.8 million in Q4 2024 compared to a $4.4 million net unrealized fair value gain in Q4 2023. In fiscal 2024, we recorded a net change in unrealized fair value gain on our marketable securities of $0.8 million compared to a $3.2 million net unrealized fair value loss for 2023. In 2024, we saw REIT prices increase marginally due to continued economic uncertainty despite a declining interest rate environment. We expect some recovery in the REIT market given a declining interest rate environment. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments.

In Q4 2024, we recorded a net realized and change in unrealized fair value loss on our non-marketable securities of $3.6 million in Q4 2024 compared to a $2.5 million net change in unrealized fair value loss in Q4 2023 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. In Q4 2024, we had a $1.0 million realized gain related to the sale of an underlying property. For fiscal 2024, we recorded a net realized and change in unrealized fair value loss on our non-marketable securities of $7.1 million mainly related to the same factors as for Q4 2024 mentioned above. For fiscal 2023, we had a $0.4 million net change in unrealized fair value loss on our non-marketable securities investments due to the same factors as described for Q4 2023 mentioned above. 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.

Gain on Dilution of Investment in MCAP

In 2024, MCAP issued additional class B units which decreased our equity interest. As a result of the issuance of new units at prices in excess of the per-unit carrying value of the investment, we recorded a dilution gain of $0.7 million (2023 - $1.0 million).

Term Deposit Interest and Expenses

The increase in term deposit interest and expenses for the current quarter and fiscal 2024 compared to prior year periods was mostly due to a larger average term deposits balance, higher average term deposit rates and related hedges from the higher interest rate environment due to the delayed timing of interest rate cuts. For Q4 2024 compared to Q3 2024, the decrease is mainly due to a larger decrease in our term deposit rates and related hedges due to the further interest rate cuts. We have been actively managing our interest rate risk during this period of changing interest rates by changing the laddering of the duration of our term deposits relative to our corporate mortgage portfolio and utilizing hedging strategies. Term deposit expenses include costs related to insurance, operating infrastructure and administration. For information on our term deposit fair value hedging, see "Derivatives and Hedging" sub-section below.

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

Net Investment Income - Securitization Assets

Net investment income from securitization assets relates to our participation in the market MBS program and the Canada Housing Trust ("CHT") Canada Mortgage Bonds ("CMB") program. Our total new securitization volumes were $211 million in Q4 2024 (Q4 2023 - $128 million) and $803 million for fiscal 2024 (2023 - $359 million). The increase compared to the prior year was due to higher securitization volumes of insured residential mortgages as well as better economics on securitization spreads. As securitization spreads continue to be favourable, we expect to continue to be aggressive in originating insured residential mortgages for securitization.

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

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

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

For the Quarters Ended	December 31, 2024			September 30, 2024			December 31, 2023		
(in thousands except %)	Average Balance[1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Mortgages - securitized portfolio	$2,332,862	$ 18,535	3.18 %	$2,185,630	$ 16,593	3.04 %	$1,825,364	$ 11,309	2.48 %
Financial liabilities from securitization	2,352,941	15,511	2.64 %	2,207,995	14,064	2.55 %	1,836,593	9,597	2.09 %
Net securitized mortgage spread income [1]		$ 3,024			$ 2,529			$ 1,712	
Spread of securitized mortgages over liabilities [1]			0.54 %			0.49 %			0.39 %

Table 8: Net Mortgage Interest Income and Average Rate for Securitized Mortgage Portfolio - Annual

For the Years Ended December 31	2024			2023		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Mortgages - securitized portfolio	$ 2,134,694	$ 63,163	2.97 %	$ 1,743,170	$ 39,335	2.25 %
Financial liabilities from securitization	2,152,141	53,255	2.48 %	1,754,287	32,769	1.86 %
Net securitized mortgage spread income [1]		$ 9,908			$ 6,566	
Spread of securitized mortgages over liabilities [1]			0.49 %			0.39 %

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

In 2024, we have seen average spreads improve on securitizations compared to prior periods as a result of an increase in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields have been declining on the expectation of a further declining interest rate environment.

Derivatives and Hedging

Cash Flow Hedging

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

At December 31, 2024, we had $nil of derivatives outstanding relating to cash flow hedges (September 30, 2024 - $nil; December 31, 2023 - $nil) on our consolidated balance sheets. In Q4 2024, we had net fair value gains of $nil (Q3 2024 - $0.7 million fair value losses; Q4 2023 - $2.1 million fair value losses), and for fiscal 2024, we had net fair value losses of $1.9 million (2023 - $0.4 million fair value gains) on our derivative transactions recognized in accumulated other comprehensive income.

Fair Value Hedging

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

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

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

For further information, refer to Note 13 to the consolidated financial statements.

Provision for (Recovery of) Credit Losses

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

(in thousands except basis points and %) For the Periods Ended	Q4 2024	Q3 2024	Change (%)	Q4 2023	Change (%)	Annual 2024	Annual 2023	Change (%)
Provision for (recovery of) impaired corporate mortgages								
Residential mortgages								
Uninsured	$ (76)	337	(123%)	244	(131%)	$ 863	$ 479	80%
Construction loans	930	861	8%	883	5%	3,098	1,594	94%
Commercial loans								
Other commercial	—	—	n/a	(225)	100%	—	—	n/a
	854	1,198	(29%)	902	(5%)	3,961	2,073	91%
Provision for (recovery of) performing corporate mortgages								
Residential mortgages								
Uninsured	(90)	371	(124%)	527	(117%)	311	996	(69%)
Uninsured - completed inventory	231	365	(37%)	261	(11%)	635	147	332%
Construction loans	312	(696)	145%	431	(28%)	(1,440)	1,527	(194%)
Commercial loans								
Multi-family residential	(123)	44	(380%)	(17)	(624%)	(207)	(235)	12%
Other commercial	—	—	n/a	(1)	100%	(2)	(31)	94%
	330	84	293%	1,201	(73%)	(703)	2,404	(129%)
Other provisions (recoveries)	(24)	20	(220%)	11	(318%)	—	17	(100%)
Total corporate provision for (recovery of) credit losses	1,160	1,302	(11%)	2,114	(45%)	3,258	4,494	(28%)
Provision for (recovery of) performing securitized mortgages	—	—	n/a	—	n/a	—	—	n/a
Total provision for (recovery of) credit losses	$ 1,160	$ 1,302	(11%)	$ 2,114	(45%)	$ 3,258	$ 4,494	(28%)
Corporate mortgage portfolio data:								
Provision for (recovery of) credit losses, net	$ 1,184	$ 1,282	(8%)	$ 2,103	(44%)	$ 3,258	$ 4,477	(27%)
Net write offs	$ 232	$ —	n/a	$ 341	(32%)	$ 251	$ 341	(26%)
Net write offs (basis points)	3.7	—	n/a	5.7	(35%)	1.0	1.5	(33%)

Provisions are based on a statistical modelling methodology incorporating both internal portfolio characteristics and forward-looking macroeconomic information. Loans are segmented into homogenous risk bands based on internal risk characteristics including (but not limited to) credit scores, delinquency history, loan type and location. Historical regression methodology is used to relate expected credit loss ("ECL") to key macroeconomic indicators including house price indices, unemployment rates, interest rates and gross domestic product. Economic forecasts of these variables are then used to produce forward-looking estimates of ECL under multiple scenarios. Scenarios are probability weighted by management to obtain an aggregated forward looking view. Additionally, we may incorporate management judgment, where appropriate, in the calculation of provisions. Accordingly, provisions are expected to vary between periods.

We had a provision for credit losses on our corporate mortgage portfolio of $1.2 million in Q4 2024, which was mainly due to growth in our mortgage portfolio and provisioning on impaired residential construction loans partially offset by improvements to economic forecasts, particularly falling interest rates and a recovery in the housing price index. In Q4 2023, we had a provision for credit losses of $2.1 million mainly due to growth in our portfolio, less favourable underlying economic forecasts relating to unemployment rates and housing prices, and model enhancements. We had a provision for credit losses on our corporate mortgage portfolio of $3.3 million for fiscal 2024 and $4.5 million for fiscal 2023 mainly due to the same factors as described for Q4 2024 and Q4 2023, respectively. The current changing interest rate 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 December 31, 2024. IFRS 9, Financial Instruments ("IFRS 9") does not permit the use of hindsight in measuring provisions for credit losses. Since December 31, 2024, forecasts around these uncertainties have continued to evolve. Any new forward-looking information subsequent to December 31, 2024, will be reflected in the measurement of provisions for credit losses in future periods, as appropriate. This may add significant variability to provisions for credit losses in future periods.

We continue to monitor our portfolio in arrears on a regular basis to detect specific significant stress or deterioration.

Operating Expenses

Table 10: Operating Expenses

(in thousands except %) For the Periods Ended	Q4 2024	Q3 2024	Change (%)	Q4 2023	Change (%)	Annual 2024	Annual 2023	Change (%)
Salaries and benefits	$ 8,791	$ 6,627	33%	$ 5,316	65%	$ 27,762	$ 22,815	22%
General and administrative	4,004	1,699	136%	2,873	39%	11,975	10,757	11%
	$ 12,795	**$ 8,326**	**54%**	**$ 8,189**	**56%**	**$ 39,737**	**$ 33,572**	**18%**

The increase in salaries and benefits in 2024 is mainly due to additional resources, regular pay increases, higher share-based payment accruals and termination benefits.

The increase in general and administrative expenses in 2024 is primarily due to higher (i) marketing and business development costs to grow our business; and (ii) professional fees and technology costs relating to new system enhancements for our business operations and customer experience.

Taxable Income

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

Table 11: Taxable Income Reconciliation

(in thousands) **For the Periods Ended**	**Q4 2024**	**Q4 2023**	**Annual 2024**	**Annual 2023**
Consolidated net income for accounting purposes	$ 7,725	$ 19,855	$ 77,586	$ 77,498
Adjustments to calculate taxable income (loss):				
Reverse: Equity income from MCAP - accounting purposes	(7,227)	(4,429)	(28,803)	(22,010)
Add: MCAP taxable income (loss)	7,872	(5,574)	8,425	(5,264)
Reverse: Provision for (recovery of) credit losses [2]	392	1,428	(324)	2,747
Add: Amortization of upfront securitization program costs [3]	2,711	2,957	13,437	11,114
Deduct: Securitization program mortgage origination costs [3]	(5,928)	(15,210)	(14,368)	(17,249)
Add: Securitization program premium (discount)	(192)	(522)	2,598	(3,333)
Reverse: Net realized and unrealized gain (loss) on securities [4]	11,326	(4,449)	6,343	3,212
Add: Capital gains (losses)	915	—	915	—
Reverse: Loss (income) earned in subsidiaries [5]	2,582	2,012	4,943	509
Deduct: Gain on dilution of MCAP [6]	—	—	(680)	(1,048)
Other items	(545)	(512)	(134)	(456)
Taxable Income (Loss)[1]	**$ 19,631**	**$ (4,444)**	**$ 69,938**	**$ 45,720**

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

The increase in taxable income in 2024 from 2023 is primarily due to higher taxable income from MCAP and premiums on securitization transactions. As a MIC, we pay out all of our taxable income to shareholders through dividends.

FINANCIAL POSITION

Assets

Table 12: Assets

(in thousands except %)	December 31 2024	September 30 2024	Change (%)	December 31 2023	Change (%)
Corporate Assets					
Cash and cash equivalents	$ 61,703	$ 86,706	(29%)	$ 60,345	2%
Marketable securities	66,345	59,081	12%	50,320	32%
Mortgages	2,464,091	2,472,019	—%	2,414,855	2%
Non-marketable securities	117,428	113,848	3%	109,943	7%
Equity investment in MCAP Commercial LP	122,265	119,705	2%	111,367	10%
Deferred tax asset	1,430	478	199%	336	326%
Derivative financial instruments	2,508	2,500	—%	198	1,167%
Other assets	24,547	25,657	(4%)	8,965	174%
	2,860,317	**2,879,994**	**(1%)**	**2,756,329**	**4%**
Securitization Assets					
Cash held in trust	47,249	24,868	90%	30,909	53%
Mortgages	2,419,871	2,289,587	6%	1,929,948	25%
Other assets	20,128	18,835	7%	21,901	(8%)
	2,487,248	**2,333,290**	**7%**	**1,982,758**	**25%**
	$ 5,347,565	**$ 5,213,284**	**3%**	**$ 4,739,087**	**13%**

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

In selecting residential construction projects to finance, we focus more on the affordable segments of the housing market, such as first time and move up homebuyers. These segments are characterized by affordable price points, lower price volatility and steady sales volumes based on continued family formation and migration primarily in major urban markets and their surrounding areas in proximity to transit. We focus on a diverse portfolio of predominantly first mortgage positions with 65-75% LTVs in our normal segment of lending. At December 31, 2024, the average outstanding construction loan balance was $11 million (September 30, 2024 - $10 million; December 31, 2023 - $11 million) with a maximum individual loan commitment of $38 million (September 30, 2024 - $38 million; December 31, 2023 - $40 million).

Securitized Mortgages

We are an NHA MBS issuer, which involves the securitization of insured mortgages to create MBS. Securitization assets consist of insured residential mortgages that have been securitized through our internal market MBS program and the CHT CMB program. For further information, refer to Note 11 to the consolidated financial statements.

Any mortgages securitized through the market MBS program or CMB program for which derecognition is not achieved remain on the consolidated balance sheet as securitized assets and are also included in total exposures in the calculation of our leverage ratio. However, for income tax purposes, all mortgages securitized by MCAN are excluded from income tax assets. For further details on total exposures, regulatory capital and income tax assets and capital, refer to the "Capital Management" section of this MD&A.

We securitized $211 million in Q4 2024 (Q3 2024 - $220 million; Q4 2023 - $128 million) and $803 million in fiscal 2024 (2023 - $359 million) of insured residential mortgages through the market MBS program and CMB program. Overall, total insured residential mortgage origination volumes are higher due to prior year's economic uncertainty and the higher interest rate environment impacting prior year origination volumes. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages.

We securitized $94 million in Q4 2024 (Q4 2023 - $150 million) and $94 million for fiscal 2024 (2023 - $150 million) 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 $0.1 million in Q4 2024 (Q4 2023 - $0.5 million) and $0.1 million for fiscal 2024 (2023 - $0.5 million).

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 December 31, 2024, we held $46 million of retained MBS on our balance sheet (September 30, 2024 - $126 million; December 31, 2023 - $125 million), which is included in the insured residential mortgage portfolio in corporate mortgages.

Table 13: Mortgage Summary

(in thousands except %)	December 31 2024	September 30 2024	Change (%)	December 31 2023	Change (%)
Corporate portfolio					
Residential mortgages					
Insured	$ 126,528	$ 250,660	(50%)	$ 276,685	(54%)
Uninsured	1,113,372	1,106,088	1%	966,726	15%
Uninsured - completed inventory	119,428	91,203	31%	54,367	120%
Construction loans	1,087,561	968,433	12%	1,045,768	4%
Commercial loans					
Multi-family residential	17,202	55,635	(69%)	70,103	(75%)
Other commercial	—	—	n/a	1,206	(100%)
	2,464,091	**2,472,019**	**—%**	**2,414,855**	**2%**
Securitized portfolio	**2,419,871**	**2,289,587**	**6%**	**1,929,948**	**25%**
	$ 4,883,962	**$ 4,761,606**	**3%**	**$ 4,344,803**	**12%**

Table 14: Corporate Mortgage Portfolio Continuity for Year to Date 2024

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 276,685**	**$ 966,726**	**$ 54,367**	**$ 1,045,768**	**$ 71,309**	**$ 2,414,855**
Originations[1]	898,356	888,805	132,718	665,954	94,457	2,680,290
Payments and prepayments	(12,127)	(14,667)	(67,074)	(626,740)	(53,998)	(774,606)
Maturities	(194,345)	(682,867)	—	—	—	(877,212)
Securitizations	(825,298)	—	—	—	(94,457)	(919,755)
Sale of commitments and whole loans	(14,586)	(46,076)	—	—	—	(60,662)
Capitalization and amortization of fees	(2,157)	1,451	(583)	2,579	(109)	1,181
Balance, end of the period	**$ 126,528**	**$ 1,113,372**	**$ 119,428**	**$ 1,087,561**	**$ 17,202**	**$ 2,464,091**

[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 15: Corporate Mortgage Portfolio Continuity for Year to Date 2023

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 144,569**	**$ 828,540**	**$ 36,680**	**$ 825,126**	**$ 104,579**	**$ 1,939,494**
Originations[1]	622,369	768,195	65,167	660,384	3,675	2,119,790
Payments and prepayments	(10,960)	(18,236)	(47,301)	(444,544)	(37,231)	(558,272)
Maturities	(79,251)	(612,970)	—	—	—	(692,221)
Securitizations	(376,902)	—	—	—	—	(376,902)
Sale of commitments	(24,876)	—	—	—	—	(24,876)
Capitalization and amortization of fees	1,736	1,197	(179)	4,802	286	7,842
Balance, end of the period	**$ 276,685**	**$ 966,726**	**$ 54,367**	**$ 1,045,768**	**$ 71,309**	**$ 2,414,855**

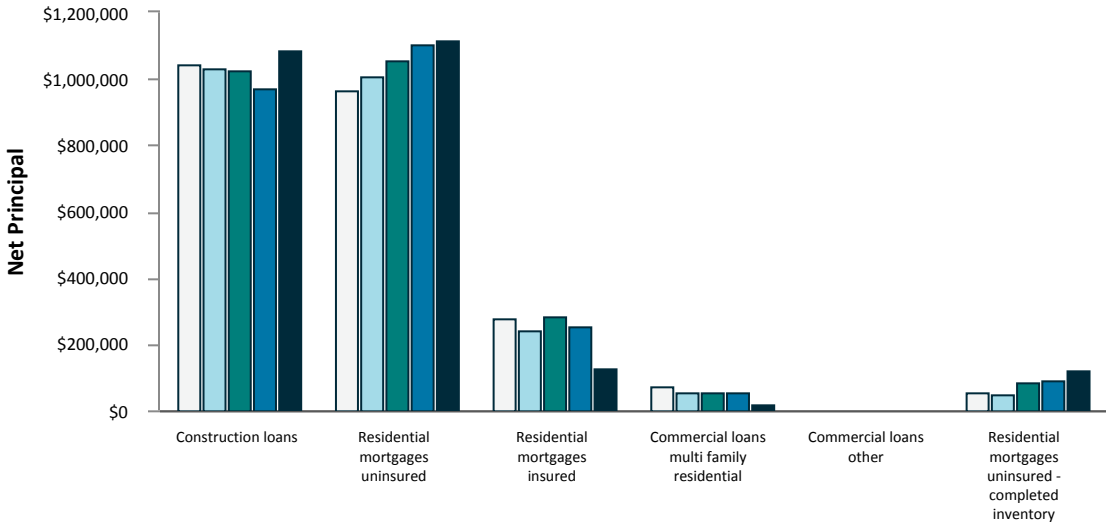
[1] *includes originations, including insured residential mortgage commitments originated and sold, renewals and transfers in from our securitization portfolio.*

We continue to be selective and will reposition our loan portfolio in terms of product composition, geographic mix and exposure as required to meet changing market conditions and align to our risk appetite. We have strong strategic partnerships and relationships and we maintain a high quality of underwriting. We have also enhanced our internal sales and marketing capabilities, strengthened relationships and customer service with the broker community and increased underwriting capacity. We continue to focus on our construction and commercial portfolio growing it in selected markets, with our preferred borrowers and risk profile given they tend to provide higher yields compared to our residential mortgages.

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



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



	Construction loans	Residential mortgages uninsured	Residential mortgages insured	Commercial loans multi-family residential	Commercial loans other	Residential mortgages uninsured - completed inventory
Dec 31, 2023	$1,045,768 (44%)	$966,726 (40%)	$276,685 (11%)	$70,103 (3%)	$1,206 (0%)	$54,367 (2%)
Mar 31, 2024	$1,034,004 (44%)	$1,007,946 (42%)	$239,680 (10%)	$55,734 (2%)	$1,196 (0%)	$46,707 (2%)
Jun 30, 2024	$1,027,226 (42%)	$1,053,032 (42%)	$280,452 (11%)	$55,696 (2%)	$0 (0%)	$83,481 (3%)
Sep 30, 2024	$968,433 (39%)	$1,106,088 (45%)	$250,660 (10%)	$55,635 (2%)	$0 (0%)	$91,203 (4%)
Dec 31, 2024	$1,087,561 (44%)	$1,113,372 (45%)	$126,528 (5%)	$17,202 (1%)	$0 (0%)	$119,428 (5%)

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

Table 16: Mortgage Portfolio Geographic Distribution

	December 31, 2024		September 30, 2024		December 31, 2023	
	Corporate	**Securitized**	**Corporate**	**Securitized**	**Corporate**	**Securitized**
Ontario	62.5 %	82.5 %	64.2 %	83.5 %	60.4 %	85.7 %
British Columbia	28.2 %	3.0 %	27.2 %	3.1 %	30.3 %	3.3 %
Alberta	8.1 %	10.8 %	7.2 %	10.1 %	8.2 %	8.5 %
Atlantic Provinces	0.4 %	2.1 %	0.4 %	2.0 %	0.4 %	1.4 %
Quebec	0.2 %	0.2 %	0.2 %	0.2 %	0.1 %	0.4 %
Other	0.6 %	1.4 %	0.8 %	1.1 %	0.6 %	0.7 %
	100.0 %	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

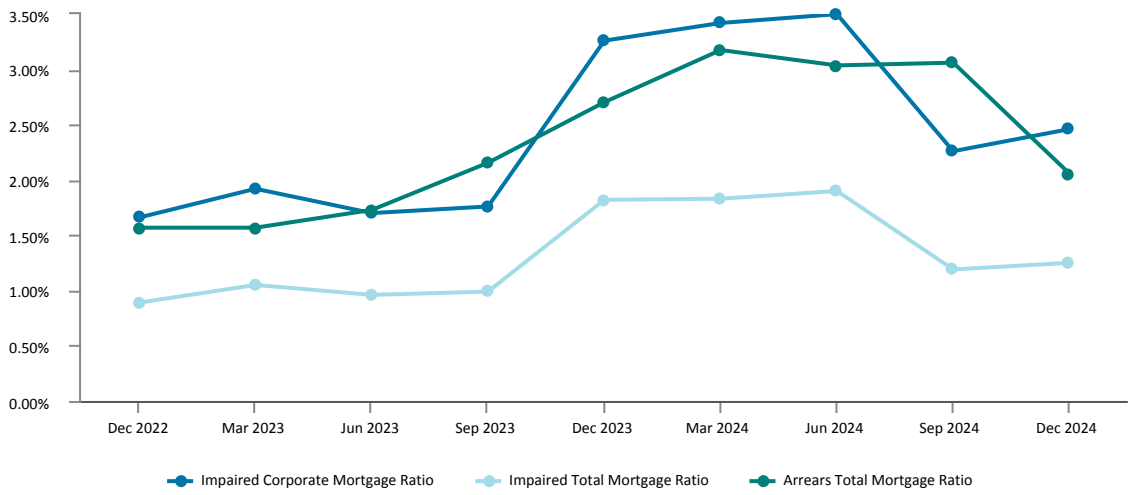
Credit Quality

Table 17: Arrears and Impaired Mortgages

(in thousands except %)	December 31 2024	September 30 2024	Change (%)	December 31 2023	Change (%)
Impaired mortgages					
Corporate					
Residential mortgages - insured	$ 806	$ 884	(9%)	$ 599	35%
Residential mortgages - uninsured	14,420	12,710	13%	5,971	142%
Construction loans	45,319	42,295	7%	72,206	(37%)
	60,545	55,889	8%	78,776	(23%)
Securitized	264	738	(64%)	343	(23%)
Total impaired mortgages	$ 60,809	$ 56,627	7%	$ 79,119	(23%)
Impaired corporate mortgage ratio [1]	2.46 %	2.26 %	0.20%	3.26 %	(0.80%)
Impaired total mortgage ratio [1]	1.25 %	1.19 %	0.06%	1.82 %	(0.57%)
Mortgage arrears					
Corporate					
Residential mortgages - insured	$ 2,161	$ 2,350	(8%)	$ 813	166%
Residential mortgages - uninsured	48,888	52,534	(7%)	39,770	23%
Residential mortgages - uninsured - completed inventory	—	2,234	(100%)	—	n/a
Construction loans	45,319	54,859	(17%)	72,206	(37%)
Commercial loans	—	27,450	(100%)	—	n/a
Total corporate mortgage arrears	96,368	139,427	(31%)	112,789	(15%)
Total securitized mortgage arrears	4,103	6,333	(35%)	4,661	(12%)
Total mortgage arrears	$ 100,471	$ 145,760	(31%)	$ 117,450	(14%)
Staging analysis - corporate portfolio					
Stage 2					
Residential mortgages - insured	$ 7,511	$ 10,797	(30%)	$ 11,572	(35%)
Residential mortgages - uninsured	207,105	200,467	3%	184,514	12%
Residential mortgages - uninsured - completed inventory	—	2,234	(100%)	2,221	(100%)
Construction loans	—	19,614	(100%)	5,967	(100%)
Commercial loans - multi-family residential	12,194	39,728	(69%)	39,798	(69%)
	226,810	272,840	(17%)	244,072	(7%)
Stage 3					
Residential mortgages - insured	806	884	(9%)	599	35%
Residential mortgages - uninsured	14,420	12,710	13%	5,971	142%
Construction loans	45,319	42,295	7%	72,206	(37%)
	60,545	55,889	8%	78,776	(23%)
Total stage 2 and 3 corporate mortgages	$ 287,355	$ 328,729	(13%)	$ 322,848	(11%)
Allowance for credit losses					
Corporate					
Allowance on performing mortgages	$ 7,250	$ 6,920	5%	$ 7,953	(9%)
Allowance on impaired mortgages	5,952	5,098	17%	1,972	202%
	13,202	12,018	10%	9,925	33%
Securitized - allowance on performing mortgages	—	—	n/a	—	n/a
Total allowance for credit losses	$ 13,202	$ 12,018	10%	$ 9,925	33%

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

Figure 3: Arrears and Impaired Mortgage Ratios[1]



The majority of our residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. While greater than 30 days arrears has increased in our uninsured residential mortgages, we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 63.7% at December 31, 2024 based on an industry index of current real estate values. We have also seen our arrears total mortgage ratio decline since Q1 2024. With respect to our construction and commercial loan portfolio, we have a strong track record with our default management processes and asset recovery programs as the need arises. The impaired ratios, as presented above, reflect impaired (stage 3) mortgages under IFRS 9 as a percentage of the corporate or total mortgage portfolios, as applicable. At December 31, 2024, 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 last 10 years.

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 corporate mortgages by risk rating, refer to Note 7 to the 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 18: Residential Mortgages by Province at December 31, 2024

(in thousands except %)	Corporate						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 19: Residential Mortgages by Province at December 31, 2023

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

Table 20: 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
Corporate	$ 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 21: Residential Mortgages by Amortization Period at December 31, 2023

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

Table 22: Average LTV Ratio for Uninsured Residential Mortgage Originations

(in thousands except %) For the Periods Ended	Q4 2024	Average LTV	Q4 2023	Average LTV	Annual 2024	Average LTV	Annual 2023	Average LTV
Ontario	$124,656	68.7%	$ 63,778	67.4%	$424,300	68.9%	$335,693	68.4%
Alberta	22,856	69.2%	601	61.2%	50,188	68.1%	7,651	70.1%
British Columbia	15,536	67.9%	49,599	68.5%	79,593	66.1%	73,912	68.4%
Other	2,392	72.8%	—	—%	8,360	73.5%	150	22.2%
	$165,440	**68.8%**	**$113,978**	**67.8%**	**$562,441**	**68.5%**	**$417,406**	**68.4%**

Table 23: Average LTV Ratios at Origination by Mortgage Portfolio

	December 31 2024	December 31 2023
Corporate portfolio		
Residential mortgages		
Insured	67.8 %	69.6 %
Uninsured[1]	67.7 %	66.0 %
Uninsured - completed inventory	65.1 %	63.4 %
Construction loans		
Residential	61.9 %	63.7 %
Non-residential	60.2 %	72.0 %
Commercial loans		
Multi-family residential	82.4 %	75.9 %
Other commercial	— %	63.0 %
	65.1 %	65.7 %
Securitized portfolio	79.9 %	79.9 %
	72.4 %	**72.0 %**

[1] *MCAN's corporate uninsured residential mortgage portfolio (including completed inventory loans) is secured with a weighted average LTV at origination of 68.7% at December 31, 2024 (December 31, 2023 - 65.9%). Based on an industry index that incorporates current real estate values, the ratios would be 63.7% at December 31, 2024 (December 31, 2023 - 63.4%).*

Other Corporate Assets

Cash and Cash Equivalents

At December 31, 2024, our cash balance was $62 million (September 30, 2024 - $87 million; December 31, 2023 - $60 million). As part of liquidity management, we align our liquidity position to our liquidity and funding requirements. Cash and cash equivalents, which include cash balances with banks and overnight term deposits, provide liquidity to meet maturing term deposits and new mortgage funding commitments. We actively manage our cash and cash equivalents in the context of our prudent liquidity and cash management practices. See "Liquidity and Funding Risk" sub-section of this MD&A.

Marketable Securities

Marketable securities, consisting of REITs 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 December 31, 2024, the portfolio balance was $66 million (September 30, 2024 - $59 million; December 31, 2023 - $50 million). We purchased $15 million of Government of Canada bonds in Q4 2024. In fiscal 2024, we had a net change in unrealized fair value gains due to a declining interest rate environment partially offset by uncertainty in the economic environment. We expect some recovery in the REIT market given a declining interest rate environment. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments.

Non-Marketable Securities

At December 31, 2024, our non-marketable securities balance was $117 million (September 30, 2024 - $114 million; December 31, 2023 - $110 million). The movement to our security balance from prior periods mainly relates to funding of capital advances and a $7 million net realized and change in unrealized loss 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. In Q4 2024, we had a $1.0 million realized gain related to the sale of an underlying property. Our non-marketable securities are either held for long-term capital appreciation or distribution income. Our real estate development funds tend to have less predictable cash flows that are predicated on the completion of the development projects within these funds. We have $62 million in remaining capital advances for non-marketable securities expected to fund mainly over the next five years. Some of the real estate funds that we are invested in, have been slower to deploy committed capital then initially expected as finding the right opportunities in the current market environment takes more time. Our non-marketable securities consist of the following:

KSHYF: We invest in the KSHYF representing a 5.9% equity interest at December 31, 2024 (September 30, 2024 - 5.9%; December 31, 2023 - 5.9%). At December 31, 2024, the carrying value of our investment was $57 million (September 30, 2024 - $56 million; December 31, 2023 - $55 million). The KSHYF invests in mortgages secured by real estate including mezzanine, subordinate and bridge mortgages. At December 31, 2024, our total remaining commitment to the KSHYF was $30 million, consisting of $1 million of capital advances for the KSHYF and $29 million to support credit facilities throughout the life of the KSHYF.

KSSMF: We invest in KSSMF representing a 2.2% partnership interest at December 31, 2024 (September 30, 2024 - 2.1%; December 31, 2023 - 2.1%). At December 31, 2024, the carrying value of our investment was $17 million (September 30, 2024 - $17 million; December 31, 2023 - $16 million) with an additional $8 million remaining commitment. KSSMF invests in a diversified portfolio of mortgage loans secured by Canadian residential and commercial real estate.

TAS LP 3 (“TAS 3”): We invest in TAS 3 representing a 9.7% partnership interest at December 31, 2024 (September 30, 2024 - 9.7%; December 31, 2023 - 9.7%). At December 31, 2024, the carrying value of our investment was $4 million (September 30, 2024 - $5 million; December 31, 2023 - $8 million) with no remaining commitment. At December 31, 2024, the Company has a $3 million revolving promissory note commitment that matures on June 30, 2025 with $nil remaining available to be drawn. TAS 3 invests in, and develops, residential and mixed use properties with a focus on assets that drive environmental and social impacts.

TAS LP 3 Co-Invest LP (“TAS Co”): We invest in TAS Co representing a 34.8% partnership interest at December 31, 2024 (September 30, 2024 - 34.8%; December 31, 2023 - 34.8%). At December 31, 2024, the carrying value of our investment was $3 million (September 30, 2024 - $3 million; December 31, 2023 - $4 million) with an additional $2 million remaining commitment. TAS Co has an approximately 17.5% to 24% interest in some of the same properties invested in by TAS 3 as noted above.

Pearl Group Growth Fund LP (“Pearl”): We invest in Pearl representing a 6.9% partnership interest at December 31, 2024 (September 30, 2024 - 6.9%; December 31, 2023 - 6.9%). At December 31, 2024, the carrying value of our investment was $3 million (September 30, 2024 - $2 million; December 31, 2023 - $2 million) with an additional $1 million remaining commitment. Pearl executes a value-add strategy by acquiring, redeveloping, entitling, leasing and project managing commercial and multi-unit residential properties in the Greater Toronto area.

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

Harbour Equity JV Development Fund VI (“Harbour”): We invest in Harbour representing a 12.1% partnership interest at December 31, 2024 (September 30, 2024 - 12.1%; December 31, 2023 - 12.1%). At December 31, 2024, the carrying value of our investment was $6 million (September 30, 2024 - $4 million; December 31, 2023 - $3 million) with an additional $5 million remaining commitment. Harbour provides equity capital to real estate developers in joint ventures or co-ownership structures for ground up development of residential and mixed-use properties across Canada.

TAS Impact Development LP 4 ("TAS 4"): We invest in TAS 4 representing a 16.2% partnership interest at December 31, 2024 (September 30, 2024 - 16.2%; December 31, 2023 - 14.8%). At December 31, 2024, the carrying value of our investment was $6 million (September 30, 2024 - $2 million; December 31, 2023 - $2 million) with an additional $13 million remaining commitment. TAS 4 acquires urban residential, mixed-use development and repositioning properties with a focus on developing and repositioning assets that drive environmental and social impacts.

Broccolini Limited Partnership No. 8 ("Broccolini"): We invest in Broccolini representing a 5.7% partnership interest at December 31, 2024 (September 30, 2024 - 5.7%; December 31, 2023 - 5.7%). At December 31, 2024, the carrying value of our investment was $2 million (September 30, 2024 - $5 million; December 31, 2023 - $5 million) with an additional $19 million remaining commitment. Broccolini manages real estate development funds primarily focused on ground up development of industrial, residential and mixed-use properties across Canada, with a focus on Ontario and Quebec.

Fiera Real Estate Development Fund IV, LP ("Fiera"): We invest in Fiera representing a 6.5% partnership interest at December 31, 2024 (September 30, 2024 - 6.5%; December 31, 2023 - 6.5%). At December 31, 2024, the carrying value of our investment was $10 million (September 30, 2024 - $10 million; December 31, 2023 - $6 million) with an additional $5 million remaining commitment. Fiera focuses on development and re-development of multi-residential, industrial, office and retail properties, located in growing major Canadian urban markets.

Equity Investment in MCAP

We have a strategic investment in MCAP, which is Canada's largest independent mortgage finance company serving many institutional investors and over 400,000 homeowners. We hold a 13.88% equity interest in MCAP (September 30, 2024 - 13.88%; December 31, 2023 - 13.73%), which represents 4.0 million units held by MCAN at December 31, 2024 (September 30, 2024 - 4.0 million; December 31, 2023 - 4.0 million) of the 28.8 million total outstanding MCAP partnership units (September 30, 2024 - 28.8 million; December 31, 2023 - 29.1 million). The investment had a net book value of $122 million at December 31, 2024 (September 30, 2024 - $120 million; December 31, 2023 - $111 million). The net book value is not indicative of the fair market value of our equity interest in MCAP.

During Q4 2024, we received $4.7 million of unitholder distributions from MCAP (Q3 2024 - $5.4 million; Q4 2023 - $3.3 million). For fiscal 2024, we have received $18.6 million of unitholder distributions from MCAP (2023 - $17.9 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 24: Liabilities and Shareholders' Equity

(in thousands except %)	December 31 2024	September 30 2024	Change (%)	December 31 2023	Change (%)
Corporate Liabilities					
Term deposits	$ 2,288,226	$ 2,308,045	(1%)	$ 2,200,102	4%
Loans payable	107	69	55%	64,683	(100%)
Current taxes payable	—	370	(100%)	—	n/a
Other liabilities	36,807	18,939	94%	25,575	44%
	2,325,140	**2,327,423**	**—%**	**2,290,360**	**2%**
Securitization Liabilities					
Financial liabilities from securitization	2,423,236	2,284,021	6%	1,916,883	26%
	2,423,236	**2,284,021**	**6%**	**1,916,883**	**26%**
	4,748,376	**4,611,444**	**3%**	**4,207,243**	**13%**
Shareholders' Equity					
Share capital	456,683	452,099	1%	406,528	12%
Contributed surplus	510	510	—%	510	—%
Retained earnings	143,620	150,972	(5%)	124,708	15%
Accumulated other comprehensive income	(1,624)	(1,741)	(7%)	98	(1,757%)
	599,189	**601,840**	**—%**	**531,844**	**13%**
	$ 5,347,565	**$ 5,213,284**	**3%**	**$ 4,739,087**	**13%**

Term Deposits

Our primary source of funding for our corporate operations is the issuance of term deposits that are eligible for CDIC deposit insurance. We source term deposits through a broker distribution network across Canada consisting of third party deposit agents and financial advisors, as well as a direct-to-consumer channel through our MCAN Wealth GIC platform. Deposits cannot be cashed prior to maturity or paid on demand except in the event of the death of a depositor or financial hardship. We believe that our term deposits provide a reliable low-cost funding source that can be strategically matched against the corporate mortgage portfolio. The role of term deposits in managing liquidity and funding risk is discussed in the "Liquidity and Funding Risk" sub-section of the "Risk 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.

Loans payable balances are lower compared to December 31, 2023, as we utilized term deposit funding instead of our short-term loan facilities. We had $1.3 million lower financing costs on our short-term facilities in Q4 2024 compared to Q4 2023 and $3.6 million lower financing costs in fiscal 2024 compared to 2023.

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 18 to the consolidated financial statements.

Retained Earnings

Retained earnings activity for Q4 2024 consists of net income of $7.7 million (Q3 2024 - $26.9 million; Q4 2023 - $19.9 million) less dividends of $15.1 million (Q3 2024 - $14.9 million; Q4 2023 - $13.5 million). Retained earnings activity for fiscal 2024 consists of a net income of $77.6 million (2023 - $77.5 million) less dividends of $58.7 million (2023 - $51.8 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 Q4 2024, we had net fair value gains of $nil (Q3 2024 - $0.7 million fair value losses; Q4 2023 - $2.1 million fair value losses), and for fiscal 2024, we had net fair value losses of $1.9 million (2023 - $0.4 million fair value gains) on our derivative transactions recognized in accumulated other comprehensive income. For further information, refer to the "Derivatives and Hedging" sub-section of this MD&A and Note 13 to the 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 25: Income Tax Capital

(in thousands except ratios)

	December 31 2024	December 31 2023
Income tax assets		
Consolidated assets	$ 5,347,565	$ 4,739,087
Adjustment for assets in subsidiaries	35,924	(27,520)
Non-consolidated assets in MIC entity	5,383,489	4,711,567
Add: corporate mortgage allowances	7,844	8,149
Less: securitization assets [1]	(2,454,257)	(1,953,086)
Adjustments to equity investments in MCAP and subsidiaries	(69,378)	(59,274)
Other adjustments	313	5,501
	$ 2,868,011	$ 2,712,857
Income tax liabilities		
Consolidated liabilities	$ 4,748,376	$ 4,207,243
Adjustment for liabilities in subsidiaries	(10,040)	(71,761)
Non-consolidated liabilities in MIC entity	4,738,336	4,135,482
Less: securitization liabilities [1]	(2,418,059)	(1,913,719)
	$ 2,320,277	$ 2,221,763
Income tax capital	$ 547,734	$ 491,094
Income tax capital ratios		
Income tax assets to capital ratio	5.24	5.52
Income tax liabilities to capital ratio	4.24	4.52

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

Regulatory Capital

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

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

Our CET 1 capital consists of share capital, contributed surplus and retained earnings. We do not hold any additional Tier 1 capital instruments; therefore, our CET 1 capital is equal to our Tier 1 capital. Our Tier 2 capital consists of Stage 1 and Stage 2 mortgage allowances calculated under IFRS. Total Capital equals CET 1 or Tier 1 capital plus Tier 2 capital. OSFI expects all federally regulated financial institutions to meet the minimum capital to risk-weighted asset ratios of 7% CET 1 Capital, 8.5% Tier 1 Capital and 10.5% Total Capital.

At December 31, 2024, we were in compliance with our internal target minimum CET 1, Tier 1 and Total Capital to risk weighted asset and leverage ratios. Our total capital and leverage ratios have decreased due to OSFI's new revised rules that incorporate Basel III reforms. We maintain prudent capital planning practices to ensure that we are adequately capitalized and continue to satisfy minimum standards and internal targets.

Table 26: Regulatory Capital [3]

(in thousands except %)

	December 31 2024	December 31 2023
OSFI Regulatory Ratios		
Share capital	$ 456,683	$ 406,528
Contributed surplus	510	510
Retained earnings	143,620	124,708
Accumulated other comprehensive income	(1,624)	98
Deduction from equity investment in MCAP [1]	(62,346)	(58,183)
Common Equity Tier 1 and Tier 1 Capital (A)	536,843	473,661
Tier 2 Capital	7,250	7,953
Total Capital (D)	$ 544,093	$ 481,614
Total Exposure/Regulatory Assets		
Consolidated assets	$ 5,347,565	$ 4,739,087
Less: deduction for equity investment in MCAP [1]	(62,346)	(58,183)
Other adjustments [2]	8,472	1,900
Total On-Balance Sheet Exposures	5,293,691	4,682,804
Mortgages and non-marketable securities funding commitments	208,440	286,655
Letters of credit	22,147	24,318
Total Off-Balance Sheet Items	230,587	310,973
Total Exposure/Regulatory Assets (B)	$ 5,524,278	$ 4,993,777
Leverage ratio (A / B)	9.72 %	9.49 %
Risk-weighted assets (C)	$ 2,822,418	$ 2,689,764
Regulatory Capital Ratios		
Common Equity Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.02 %	17.61 %
Tier 1 capital to risk-weighted assets ratio **(A / C)**	19.02 %	17.61 %
Total capital to risk-weighted assets ratio **(D / C)**	19.28 %	17.91 %

[1] *The deduction for the equity investment in MCAP is equal to the equity investment balance less 10% of shareholders' equity and eligible stage 1 and stage 2 mortgage allowances.*
[2] *Certain items, such as negative cash balances 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 27: Regulatory Risk-Weighted Assets [1]

(in thousands except %)	December 31, 2024			December 31, 2023		
	Amounts	Average Rate	Risk-Weighted Assets	Amounts	Average Rate	Risk-Weighted Assets
On-Balance Sheet Assets						
Cash and cash equivalents	$ 61,703	21 %	$ 12,654	$ 60,345	21 %	$ 12,449
Cash held in trust	47,249	20 %	9,450	30,909	20 %	6,182
Marketable securities	66,345	100 %	66,345	50,320	100 %	50,320
Mortgages - corporate	2,464,091	69 %	1,700,214	2,414,855	67 %	1,626,403
Mortgages - securitized	2,419,871	6 %	136,693	1,929,948	5 %	104,989
Non-marketable securities	117,428	162 %	190,120	109,943	172 %	188,885
Equity investment in MCAP Commercial LP	122,265	123 %	149,797	111,367	119 %	132,961
Deferred tax asset	1,430	100 %	1,430	336	100 %	336
Other assets	44,675	100 %	44,675	30,866	100 %	30,867
Derivative Financial Instruments	2,508	— %	—	198	— %	—
	5,347,565		2,311,378	4,739,087		2,153,392
Off-Balance Sheet Items						
Letters of credit	44,295	50 %	22,148	48,637	50 %	24,319
Commitments	521,100	45 %	234,666	716,638	43 %	306,764
Derivative Financial Instruments	793,439	3 %	24,288	314,197	— %	276
			281,102			331,359
Charge for operational risk [2]			229,938			205,013
Risk-Weighted Assets			**$ 2,822,418**			**$ 2,689,764**

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

Other Capital Management Activity

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

RISK FACTORS

For a detailed description of all risk factors associated with the Company, refer to the "Risk Governance and Management" section of our 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 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 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 December 31, 2024, the Company held sufficient funding and liquidity to meet all requirements under the stress test scenarios.

The Board is accountable for the approval of the Liquidity Risk Management Framework ("LRMF"). The LRMF establishes a framework to maintain sufficient funding and liquidity, including holding a portfolio of high-quality liquid assets to meet commitments as they come due. The LRMF provides guidance for the daily, monthly and quarterly analyses that are performed by management, and includes a framework for daily funding requirements, gap analysis between assets and liabilities, deposit concentration levels, liquidity risk limits, and stress testing requirements, in alignment with both the standards set under the Trust Act and regulations and guidelines issued by OSFI. Further to the LRMF, the Company maintains a Contingency Funding Plan that details the strategies and action plans to respond to stress events that could materially impair its access to funding and liquidity.

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 ERM&CC. At December 31, 2024, the Company was in full compliance with the LRMF, key liquidity risk limits and regulatory requirements.

We have access to liquidity through our ability to issue term deposits eligible for CDIC deposit insurance. These term deposits also provide us with the ability to fund asset growth as needed.

The Company maintains 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 agreements whereby the Company can sell insured and uninsured residential mortgages and mortgage commitments. These agreements provide liquidity and the opportunity to fund other core business activities in line with our strategy.

The Company continues to enhance monitoring of its liquidity risk profile, its funding markets such as the term deposit and securitization markets and its liquidity risk position.

OSFI's Liquidity Adequacy Requirements guideline currently establishes two minimum standards based on the Basel III framework with national supervisory discretion applied to certain treatments: the Liquidity Coverage Ratio ("LCR") and Net Cumulative Cash Flow ("NCCF") metrics. At December 31, 2024, we were in compliance with the LCR and NCCF metrics.

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 28: Liquidity Analysis

At December 31, 2024						
(in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Sources of liquidity						
Cash and cash equivalents	$ 61,703	$ —	$ —	$ —	$ —	$ 61,703
Marketable securities	66,345	—	—	—	—	66,345
Mortgages - corporate	570,820	1,062,932	795,830	29,384	5,125	2,464,091
Non-marketable securities	—	—	—	—	117,428	117,428
Other loans	5,742	—	—	—	—	5,742
	704,610	1,062,932	795,830	29,384	122,553	2,715,309
Uses of liquidity						
Term deposits	301,555	813,428	755,448	417,795	—	2,288,226
Loans payable	107	—	—	—	—	107
Other liabilities	30,828	(2,203)	641	989	6,552	36,807
	332,490	811,225	756,089	418,784	6,552	2,325,140
Net liquidity surplus (deficit)	**$ 372,120**	**$ 251,707**	**$ 39,741**	**$ (389,400)**	**$ 116,001**	**$ 390,169**

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 December 31, 2024 and 2023 there have been no indications at the portfolio level of potential loss of principal in excess of the allowances for credit losses recorded for mortgages in stage 1 and 2. These collective allowances are based on forward-looking economic assumptions and other factors discussed in Note 4 to the consolidated financial statements.

As a response to economic uncertainty, the Company has increased the frequency of monitoring and reporting of our credit risk profile, including enhanced arrears reporting and pipeline monitoring. Real estate prices may continue to be impacted by macroeconomic headwinds, which may adversely impact asset values and the ability for borrowers to make timely payments on mortgages.

The maximum credit exposure on our individual financial assets is equal to the carrying value of the respective assets, except for our corporate mortgage portfolio, where maximum credit exposure also includes outstanding commitments for future mortgage fundings and our investments in non-marketable securities, where maximum credit exposure includes our total remaining commitments.

Credit Risk - Impairment Assessment Under IFRS 9

The analysis of MCAN's IFRS 9 impairment assessment and measurement approach discussed below should be read in conjunction with Note 4 to the consolidated financial statements.

Impairment calculations are based on a forward-looking ECL methodology. ECL is composed of 3 submodels; Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). Each of these submodels produce quarterly projections of the respective metric under various macroeconomic scenarios.

Probability of default

PD is an estimate of the likelihood of default over a given time horizon. The PD model is comprised of (i) forward-looking macroeconomic projections and (ii) internal risk rating-based segmentation. Forward-looking macroeconomic projections are built utilizing statistical regression to determine relationships between default rates and macroeconomic variables. Internal risk rating-based segmentation views the portfolio by internal risk rating and credit scores to provide PD differentiation at the borrower level.

Loss given default

LGD is an estimate of the loss arising in the case where a default occurs. LGD is built utilizing statistical regression to determine a relationship between LGD and macroeconomic variables, using external LGD data from comparable historical portfolios to forecast LGD under macroeconomic scenarios. Like the PD model, the construction and commercial LGD model also segments the portfolio by internal risk ratings to differentiate LGDs at the borrower level. The uninsured single family LGD model segments the portfolio by loan to value ratios to differentiate LGDs at the borrower level as well.

Exposure at default

EAD is the estimate of exposure at a future default date at the borrower level, taking into account expected changes in the exposure after the reporting date. EAD is the borrower level exposure in the event of default, determined by forecasting advances and repayments on the portfolio. The forecast is determined utilizing historical advance and repayment trends and is segmented by product type. EAD is forecasted up to the expected lifetime of each individual loan, capped at 12 months for IFRS 9 stage 1 loans.

Grouping financial assets measured on a collective basis

The Company calculates ECLs either on a collective or specific basis for the corporate mortgage portfolio based on the line of business (per Note 7 to the consolidated financial statements). ECLs are calculated on a specific basis for all mortgages in stage 3 and are calculated on a collective basis for all mortgages in stage 1 and stage 2.

Analysis of inputs into the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Notes 4 and 5 to the consolidated financial statements. As part of the model input process, macroeconomic data are obtained from third party sources (e.g. rating agencies, bank economic forecasts, etc.), and our Risk Management department assesses the quality of data and assumptions in the Company's ECL models including determining the weights attributable to the multiple scenarios.

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.

We evaluate our exposure to a variety of changes in interest rates across the term spectrum of our assets and liabilities including both parallel and non-parallel changes in interest rates. By managing and strategically matching the terms of corporate assets and term deposits, we seek to reduce the risks associated with interest rate changes. In conjunction with liquidity management policies and procedures, we also manage cash flow mismatches. ALCO reviews our interest rate exposure on a monthly basis using a duration-based framework to measure structural risk and sensitivity analysis based on various scenarios. This information is also formally reviewed by the Board each quarter.

We are exposed to interest rate risk on: (i) movements in interest rates between the time residential mortgages are committed to borrowers and the time that the mortgage is funded; (ii) movements in interest rates between the time insured residential mortgages are funded and the time that these mortgages are securitized; (iii) movements in interest rates between the time term deposit funding is forecasted to be required and the time that the actual funding occurs; and (iv) movements in interest rates during the term of the fixed-rate term deposits and floating rate construction and commercial portfolios. To manage these risks, we may employ various hedging strategies. For further information, refer to "Derivatives and Hedging" sub-section of this MD&A and Note 13 to the consolidated financial statements.

An immediate and sustained parallel 1% increase to market interest rates on interest-bearing financial instruments at December 31, 2024 would have an estimated positive effect of $1.2 million (September 30, 2024 - positive effect of $2.4 million; December 31, 2023 - positive effect of $5.0 million) to net income over the following twelve month period. An immediate and sustained parallel 1% decrease to market interest rates at December 31, 2024 would have an estimated adverse effect of $0.3 million (September 30, 2024 - adverse effect of $1.4 million; December 31, 2023 - adverse effect of $3.8 million) to net income over the following twelve month period.

The following tables present the assets and liabilities of the Company by interest rate sensitivity at December 31, 2024 and December 31, 2023 and do not incorporate mortgage and loan prepayments. This analysis is subject to significant change in subsequent periods based on changes in customer preferences and in the application of asset/liability management policies. Floating rate assets and liabilities are immediately sensitive to changing interest rates while other assets are sensitive to changing interest rates periodically, either as they mature or as contractual repricing events occur. Non-interest sensitive items include marketable securities, equity investment in MCAP and other assets and liabilities. Yield spread represents the difference between the weighted average interest rate of the assets and liabilities in a certain category.

Table 29: 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								
Corporate	$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								
Corporate	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 %**		

Table 30: Interest Rate Sensitivity at December 31, 2023

At December 31, 2023								
(in thousands except %)	Floating Rate	Within 3 Months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Non Interest Sensitive	Total
Assets								
Corporate	$1,265,585	$162,442	$433,336	$504,327	$101,094	$ 8,614	$ 280,931	$ 2,756,329
Securitization	126,874	16,427	145,074	1,262,090	379,482	—	52,811	1,982,758
	1,392,459	178,869	578,410	1,766,417	480,576	8,614	333,742	4,739,087
Liabilities								
Corporate	64,682	282,827	803,952	790,157	323,237	—	25,505	2,290,360
Securitization	126,103	7,420	137,127	1,199,547	446,686	—	—	1,916,883
	190,785	290,247	941,079	1,989,704	769,923	—	25,505	4,207,243
Shareholders' Equity	—	—	—	—	—	—	531,844	531,844
GAP	**$1,201,674**	**$(111,378)**	**$(362,669)**	**$(223,287)**	**$(289,347)**	**$ 8,614**	**$ (223,607)**	**$ —**
YIELD SPREAD	**4.36 %**	**2.07 %**	**1.56 %**	**0.74 %**	**(0.03)%**	**5.39 %**		

Market Risk

Market risk is the exposure to adverse changes in the value of financial assets. Market risk includes price risk on marketable securities, execution risk and real estate values, among others. Any changes in these market risk factors may negatively affect the value of our financial assets, which may have an adverse effect on our financial condition and results of operations. We do not undertake trading activities as part of our regular operations, and therefore are not exposed to risks associated with activities such as market making, arbitrage or proprietary trading.

Our marketable securities portfolios are susceptible to market price risk arising from uncertainties about future values of the securities. We manage the equity price risk through diversification and limits on both individual and total securities. Portfolio reporting is submitted to management on a regular basis and to the Board on a quarterly basis.

Our non-marketable securities portfolios are focused on equity and debt investments in Canadian real estate focused funds. The portfolio is susceptible to the overall outlook of the real estate market, execution risk from respective fund managers, and

other market conditions, such as spreads, housing prices, land prices, construction costs and adverse changes in interest rates or capitalization rates.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of common shares with no par value. These common shares are the only voting securities of MCAN. At December 31, 2024, there were 38,717,004 common shares outstanding (September 30, 2024 - 38,462,802; December 31, 2023 - 35,431,938). At February 24, 2025, there were 38,901,213 common shares outstanding.

We issued $1.2 million in 2024 (2023 - $nil) in new common shares through standard issuances under our Executive Share Purchase Plan.

We issued $14.8 million in 2024 (2023 - $14.5 million) in new common shares under the DRIP, which has historically provided MCAN with a reliable source of new capital and existing shareholders an opportunity to acquire additional shares at a discount to market value. Under the DRIP, dividends paid to shareholders are automatically reinvested in common shares issued out of treasury at the weighted average trading price for the five days preceding such issue less a discount of 2% until further notice from MCAN. The DRIP participation rate for the 2024 fourth quarter dividend was 14% (2024 third quarter - 15%; 2023 fourth quarter - 30%). The DRIP participation rate for 2024 dividends was 22% (2023 - 29%).

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

- On March 28, 2024, we closed an overnight marketed offering, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, at a price of $15.40 per common share for gross proceeds of $28.8 million and net proceeds of $27.2 million including share issuance costs.
- We have an ATM Program, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, allowing us to issue up to $30 million common shares to the public from time to time at the market prices prevailing at the time of sale. In Q4 2024, we sold 221,500 common shares at a weighted average price of $18.73 for gross proceeds of $4.1 million and net proceeds of $4.0 million including $83 thousand of agent commission paid and $100 thousand of other share issuance costs under the ATM Program. In fiscal 2024, we sold 404,100 common shares at a weighted average price of $18.29 for gross proceeds of $7.4 million and net proceeds of $7.0 million including $0.1 million of agent commission paid and $0.3 million of other share issuance costs under the ATM Program. At December 31, 2024, we have $21.0 million remaining available to be issued through our ATM Program. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion.

For additional information related to share capital, refer to Note 18 to the consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We have contractual obligations relating to outstanding commitments for future fundings of corporate mortgages and our investments in non-marketable securities. Only a portion of the mortgage commitments that we issue are expected to fund. Accordingly, these amounts do not necessarily represent the future cash requirements of the Company.

Table 31: Contractual Commitments

At December 31, 2024						
(in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Mortgage funding commitments	$ 272,856	$ 133,937	$ 23,072	$ —	$ —	$ 429,865
Commitment - TAS Co	—	—	1,599	—	—	1,599
Commitment - TAS 4	—	7,609	2,536	2,533	—	12,678
Commitment - Harbour	950	2,500	1,000	1,000	—	5,450
Commitment - KSSMF	1,300	3,900	2,600	—	—	7,800
Commitment - Pearl	—	583	—	—	—	583
Commitment - Crown	—	6,385	2,406	—	—	8,791
Commitment - Fiera	649	2,000	390	390	1,500	4,929
Commitment - Broccolini	950	5,028	10,300	2,000	1,000	19,278
Commitment - KSHYF	1,283	—	—	—	28,844	30,127
	$ 277,988	**$ 161,942**	**$ 43,903**	**$ 5,923**	**$ 31,344**	**$ 521,100**

We retain mortgage servicing obligations relating to securitized insured multi-family mortgages where balance sheet derecognition has been achieved. At December 31, 2024, these derecognized securitized insured multi-family mortgages

totalled $308 million. For further information on our securitization activities, refer to Note 11 to the consolidated financial statements.

We provide letters of credit, which are not reflected on the 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 24 to the consolidated financial statements.

DIVIDEND POLICY AND RECORD

Our dividend policy is to pay out substantially all of our taxable income to our shareholders. These dividends are taxable to our shareholders as interest income. In addition, as a MIC, we can pay certain capital gains dividends which are taxed as capital gains to our shareholders. We intend to continue to declare and pay dividends on a quarterly basis. The Company has generally paid out 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 cash or 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.

Regular cash dividends and special stock dividends per share over the past three years are shown in the table below:

Table 32: Dividends Per Share

For the Years Ended December 31	2024	2023	2022
First quarter - regular cash	$ 0.39	$ 0.36	$ 0.36
Second quarter - regular cash	0.39	0.36	0.36
Third quarter - regular cash	0.39	0.38	0.36
Fourth quarter - regular cash	0.39	0.38	0.36
Total regular cash dividends	**1.56**	**1.48**	**1.44**
First quarter - special stock	—	—	**0.97**
Total regular cash and special stock dividends	**$ 1.56**	**$ 1.48**	**$ 2.41**

The Board declared a first quarter regular cash dividend of $0.41 per share (an increase of 5% from our fourth quarter 2024 dividend) to be paid March 31, 2025 to shareholders of record on March 14, 2025.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions for the years ended December 31, 2024 and December 31, 2023 and related party balances at December 31, 2024 and December 31, 2023 are discussed in Notes 9 and 23 to the consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The majority of our 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 December 31, 2024, we had 160 team members (September 30, 2024 - 155; December 31, 2023 - 142). Team members include full-time, part-time, contract and students, as applicable.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's 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 asset or liability affected in future periods.

Critical Accounting Estimates

Fair value of financial instruments

For non-marketable securities, fair value is determined using a variety of approaches including independent appraisals, recent transactions and incremental investments in the funds. We consider various factors in the determination of fair value including, but not limited to, recent appraisals, the status of underlying construction project and recent capital calls. Judgment is applied in the determination of the appropriate valuation approach, depending on the nature of the investment. On a quarterly basis, we review the fair value of the investments in conjunction with reports produced by the fund administrators, recent development activity and any other market-driven triggers.

For all other financial instruments where the fair values of financial assets and financial liabilities recorded in the consolidated financial statements cannot be derived from active markets, they are determined using a variety of appropriate valuation techniques that may include discounted cash flow method, comparison to similar instruments for which market observable prices may exist and other relevant valuation models. The inputs are derived from observable market data where possible, but where observable market data is not available, estimates are required to establish fair values. These estimates include considerations of liquidity and model inputs such as discount rates, prepayment rates and default rate assumptions for certain investments.

Allowances for credit losses

The allowance for credit losses reduces the carrying value of mortgage assets by an estimate of the principal amounts that borrowers may not repay in the future. In assessing the estimated realizable value of assets, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. A number of factors can affect the amount that we ultimately collect, including the quality of our own underwriting process and credit criteria, the diversification of the portfolio, the underlying security relating to the loans and the overall economic environment. Allowances on impaired mortgages include all of the accumulated provisions for losses to reduce the assets to their estimated realizable value. Allowances depend on asset class, as different classes have varying underlying risks. Future changes in circumstances could materially affect net realizable values and lead to an increase or decrease in the allowance for credit losses.

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

The Company's ECL calculations are model outputs with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

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

We review our ECL models on a quarterly basis. We continue to monitor asset performance and economic conditions, including considering regionally specific issues to assess the adequacy of the current provisioning policies.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, we may make temporary qualitative adjustments or overlays using credit judgment when such differences are material.

Mortgage prepayment rates

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

Impairment of financial assets

As applicable, the Company reviews financial assets at each consolidated financial statement date to assess whether an impairment loss should be recorded. In particular, estimates by management are required in the calculation of the amount and timing of future cash flows associated with these assets when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the fair value of the asset.

Critical Accounting Judgments

Significant influence

In determining whether it has significant influence over an entity, the Company makes certain judgments based on the applicable accounting standards. These judgments form the basis for the Company's policies in accounting for its equity method investments.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures ("DC&P")

A disclosure committee (the "Disclosure Committee"), comprised of members of our senior management is responsible for establishing and maintaining adequate DC&P. As of December 31, 2024, we have evaluated the effectiveness of the design and operation of our DC&P in accordance with requirements of National Instrument 52-109 of the Canadian Securities Administrators – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). Our Chief Executive Officer and CFO supervised and participated in this evaluation. Based on the evaluation, our Chief Executive Officer and CFO concluded that our disclosure controls and procedures were effective to ensure that 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 is accumulated and communicated to our management, including our Chief Executive Officer and CFO, to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting ("ICFR")

The Disclosure Committee is responsible for establishing and maintaining adequate ICFR. Under the supervision and with the participation of the Disclosure Committee, including our Chief Executive Officer and CFO, we evaluated the effectiveness of our ICFR in accordance with the Integrated (2013) Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, a recognized control model, and the requirements of NI 52-109. Based on the evaluation, our Chief Executive Officer and CFO concluded that our ICFR were effective as of December 31, 2024.

Ernst & Young LLP, our Independent Registered Chartered Professional Accountants, have audited our consolidated financial statements for the year ended December 31, 2024.

Changes in ICFR

There were no changes in our ICFR that occurred during the period beginning on January 1, 2024 and ending on December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our control framework.

On January 1, 2024, we implemented a new enterprise resource planning ("ERP") system. This ERP implementation did not result in any significant changes in internal controls. We had appropriate testing on the new ERP system to ensure a proper transition as well as appropriate procedures to ensure internal controls over financial reporting were in place during and after the implementation.

Inherent Limitations of Controls and Procedures

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

Non-GAAP Financial Measures

Net Corporate Mortgage Spread Income
Non-GAAP financial measure that is an indicator of net interest profitability of income-earning corporate assets less cost of funding for our corporate mortgage portfolio. It is calculated as the difference between corporate mortgage interest and term deposit interest and expenses as reported on the consolidated statements of income. Calculations can also be found in Tables 1, 2, 4 and 5 of this MD&A.

Table 33: Net Corporate Mortgage Spread Income

(in thousands) **At December 31**	**Q4 2024**	**Q4 2023**	**Change ($)**	**Annual 2024**	**Annual 2023**	**Change ($)**
Mortgage interest - corporate assets	$ 47,209	$ 47,406		$ 191,706	$ 165,997	
Term deposit interest and expenses	26,642	24,361		108,259	78,219	
Net Corporate Mortgage Spread Income	**$ 20,567**	**$ 23,045**	**$ (2,478)**	**$ 83,447**	**$ 87,778**	**$ (4,331)**

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 consolidated statements of income. Calculations can also be found in Tables 7 and 8 of this MD&A.

Table 34: Net Securitized Mortgage Spread Income

(in thousands) **At December 31**	**Q4 2024**	**Q4 2023**	**Change ($)**	**Annual 2024**	**Annual 2023**	**Change ($)**
Mortgage interest - securitized assets	$ 18,535	$ 11,309		$ 63,163	$ 39,335	
Interest on financial liabilities from securitization	15,511	9,597		53,255	32,769	
Net Securitized Mortgage Spread Income	**$ 3,024**	**$ 1,712**	**$ 1,312**	**$ 9,908**	**$ 6,566**	**$ 3,342**

Supplementary Financial Measures

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

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

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

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

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

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

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

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

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.