MCAN Financial

MCAN FINANCIAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Q2 2025 ENDING JUNE 30, 2025

MCANFINANCIAL.COM
TSX: MKP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

MCAN Mortgage Corporation is doing business as ("d/b/a") MCAN Financial Group ("MCAN", the "Company" or "we"). This Management's Discussion and Analysis of Operations ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements and accompanying notes for the quarter and the six months ended June 30, 2025 and the audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2024. These items and additional information regarding MCAN, including continuous disclosure materials such as the Annual Information Form are available on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca and our website at www.mcanfinancial.com. Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2024 remain substantially unchanged. Information has been presented as of August 6, 2025.

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A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

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

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

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

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

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

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

SELECTED FINANCIAL INFORMATION

Table 1: Financial Statement Highlights - Q2 2025

(in thousands except for per share amounts and %) **For the Periods Ended**	**Q2 2025**	**Q1 2025**	**Change (%)**	**Q2 2024**	**Change (%)**	**YTD 2025**	**YTD 2024**	**Change (%)**
Income Statement Highlights								
Net interest income - non-securitized assets	$ 20,536	$ 20,664	(1%)	$ 21,228	(3%)	$ 41,200	$ 42,574	(3%)
Net interest income - securitized assets	$ 3,126	$ 3,089	1%	$ 2,590	21%	$ 6,215	$ 5,233	19%
Mortgage interest - non-securitized assets [A]	$ 46,882	$ 45,148	4%	$ 48,422	(3%)	$ 92,030	$ 96,430	(5%)
Term deposit interest and expenses [B]	$ 25,502	$ 24,882	2%	$ 27,526	(7%)	$ 50,384	$ 53,596	(6%)
Net non-securitized mortgage spread income[1] [A-B]	$ 21,380	$ 20,266	5%	$ 20,896	2%	$ 41,646	$ 42,834	(3%)
PPPT[1] income	$ 22,977	$ 19,375	19%	$ 21,774	6%	$ 42,352	$ 44,054	(4%)
Equity income from MCAP Commercial LP	$ 9,732	$ 5,571	75%	$ 7,726	26%	$ 15,303	$ 14,909	3%
Net gain (loss) on securities	$ 406	$ 1,099	(63%)	$ (715)	(157%)	$ 1,505	$ (688)	(319%)
Net income	$ 20,187	$ 16,590	22%	$ 19,749	2%	$ 36,777	$ 42,969	(14%)
Basic and diluted earnings per share	$ 0.51	$ 0.43	19%	$ 0.52	(2%)	$ 0.94	$ 1.17	(20%)
Dividends per share - cash	$ 0.41	$ 0.41	—%	$ 0.39	5%	$ 0.82	$ 0.78	5%
Next quarter's dividend per share - cash	$ 0.41							
Return on average shareholders' equity [1]	13.19 %	10.99 %	2.20%	13.63 %	(0.44%)	12.10 %	15.31 %	(3.21%)
Taxable income per share [2]	$ 0.22	$ 0.45	(51%)	$ 0.44	(50%)	$ 0.67	$ 1.11	(40%)
Spreads								
Spread of non-securitized mortgages over term deposit interest and expenses [1]	2.74 %	2.89 %	(0.15%)	2.93 %	(0.19%)	2.81 %	3.04 %	(0.23%)
Spread of securitized mortgages over liabilities [1]	0.50 %	0.50 %	—%	0.46 %	0.04%	0.50 %	0.46 %	0.04%
Average term to maturity (in months)								
Mortgages - non-securitized	11.3	9.1	24%	12.1	(7%)			
Term deposits	17.7	17.7	—%	19.2	(8%)			

At	**June 30 2025**	**March 31 2025**	**Change (%)**	**December 31 2024**	**Change (%)**
Balance Sheet Highlights					
Total assets	$ 5,738,939	$ 5,443,350	5%	$ 5,347,565	7%
Mortgages - non-securitized	$ 2,741,371	$ 2,544,500	8%	$ 2,464,091	11%
Mortgages - securitized	$ 2,428,828	$ 2,353,531	3%	$ 2,419,871	—%
Total liabilities	$ 5,118,052	$ 4,835,985	6%	$ 4,748,376	8%
Shareholders' equity	$ 620,887	$ 607,365	2%	$ 599,189	4%
Assets under management[1]	$ 6,655,375	$ 6,137,843	8%	$ 5,989,419	11%
Capital Ratios					
Income tax assets to capital ratio [2]	5.42	5.41	—%	5.24	3%
CET 1 & Tier 1 capital ratio [4]	18.90 %	19.12 %	(1%)	19.02 %	(0.12%)
Total capital ratio [4]	19.22 %	19.43 %	(0.21%)	19.28 %	(0.06%)
Leverage ratio [3]	9.32 %	9.64 %	(0.32%)	9.72 %	(0.40%)
Credit Quality					
Impaired mortgage ratio (non-securitized) [1]	2.34 %	2.31 %	0.03%	2.46 %	(0.12%)
Impaired mortgage ratio (total) [1]	1.25 %	1.20 %	0.05%	1.25 %	—%
Mortgage Arrears					
Non-securitized	$ 121,647	$ 105,044	16%	$ 96,368	26%
Securitized	7,070	4,757	49%	4,103	72%
Total	$ 128,717	$ 109,801	17%	$ 100,471	28%
Common Share Information (end of period)					
Number of common shares outstanding	39,604	39,128	1%	38,717	2%
Book value per common share [1]	$ 15.68	$ 15.52	1%	$ 15.48	1%
Common share price - close	$ 19.45	$ 18.36	6%	$ 18.25	7%
Market capitalization	$ 770,298	$ 718,390	7%	$ 706,585	9%

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

Table 2: Financial Statement Highlights - Quarterly

(in thousands except per share amounts, % and where indicated)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Income Statement Highlights								
Net interest income - non-securitized assets	$20,536	$20,664	$21,091	$20,813	$21,228	$21,346	$22,314	$21,891
Net interest income - securitized assets	$ 3,126	$ 3,089	$ 3,570	$ 3,122	$ 2,590	$ 2,643	$ 2,670	$ 1,922
Mortgage interest - non-securitized assets [A]	$46,882	$45,148	$47,209	$48,067	$48,422	$48,008	$47,406	$44,144
Term deposit interest and expenses [B]	$25,502	$24,882	$26,642	$28,021	$27,526	$26,070	$24,361	$21,083
Net non-securitized mortgage spread income[1] [A-B]	$21,380	$20,266	$20,567	$20,046	$20,896	$21,938	$23,045	$23,061
PPPT[1] income	$22,977	$19,375	$ 7,564	$28,194	$21,774	$22,280	$23,506	$18,283
Equity income from MCAP Commercial LP	$ 9,732	$ 5,571	$ 7,227	$ 6,667	$ 7,726	$ 7,183	$ 4,429	$ 4,310
Net gain (loss) on securities	$ 406	$ 1,099	$(11,326)	$ 5,671	$ (715)	$ 27	$ 1,977	$(1,581)
Net income	$20,187	$16,590	$ 7,725	$26,892	$19,749	$23,220	$19,855	$18,479
Basic and diluted earnings per share	$ 0.51	$ 0.43	$ 0.20	$ 0.70	$ 0.52	$ 0.65	$ 0.56	$ 0.53
Dividends per share - cash	$ 0.41	$ 0.41	$ 0.39	$ 0.39	$ 0.39	$ 0.39	$ 0.38	$ 0.38
Return on average shareholders' equity [1]	13.19 %	10.99 %	5.14 %	18.16 %	13.63 %	17.09 %	15.01 %	14.20 %
Taxable income (loss) per share [2]	$ 0.22	$ 0.45	$ 0.51	$ 0.25	$ 0.44	$ 0.67	$ (0.13)	$ 0.45
Spreads								
Spread of non-securitized mortgages over term deposit interest and expenses [1]	2.74 %	2.89 %	2.83 %	2.78 %	2.93 %	3.14 %	3.34 %	3.49 %
Spread of securitized mortgages over liabilities [1]	0.50 %	0.50 %	0.54 %	0.49 %	0.46 %	0.46 %	0.39 %	0.42 %
Average term to maturity (in months)								
Mortgages - non-securitized	11.3	9.1	9.5	12.9	12.1	11.5	12.7	13.1
Term deposits	17.7	17.7	18.5	19.1	19.2	18.2	18.5	19.2
Balance Sheet Highlights ($ million)								
Total assets	$ 5,739	$ 5,443	$ 5,348	$ 5,213	$ 5,097	$ 4,894	$ 4,739	$ 4,540
Mortgages - non-securitized	$ 2,741	$ 2,545	$ 2,464	$ 2,472	$ 2,500	$ 2,385	$ 2,415	$ 2,338
Mortgages - securitized	$ 2,429	$ 2,354	$ 2,420	$ 2,290	$ 2,170	$ 2,095	$ 1,930	$ 1,835
Total liabilities	$ 5,118	$ 4,836	$ 4,748	$ 4,611	$ 4,512	$ 4,318	$ 4,207	$ 4,013
Shareholders' equity	$ 621	$ 607	$ 599	$ 602	$ 585	$ 576	$ 532	$ 528
Capital Ratios								
Income tax assets to capital ratio [2]	5.42	5.41	5.24	5.38	5.34	5.14	5.52	5.14
CET 1 & Tier 1 capital ratios [4]	18.90 %	19.12 %	19.02 %	19.94 %	19.10 %	19.00 %	17.61 %	17.72 %
Total capital ratio [4]	19.22 %	19.43 %	19.28 %	20.19 %	19.35 %	19.23 %	17.91 %	17.98 %
Leverage ratio [3]	9.32 %	9.64 %	9.72 %	9.99 %	9.85 %	10.11 %	9.49 %	9.76 %
Credit Quality								
Impaired mortgage ratio (non-securitized) [1]	2.34 %	2.31 %	2.46 %	2.26 %	3.50 %	3.42 %	3.26 %	1.76 %
Impaired mortgage ratio (total) [1]	1.25 %	1.20 %	1.25 %	1.19 %	1.90 %	1.83 %	1.82 %	0.99 %
Mortgage Arrears								
Non-securitized	$121,647	$105,044	$96,368	$139,427	$136,499	$136,175	$112,789	$85,513
Securitized	7,070	4,757	4,103	6,333	5,278	6,085	4,661	4,438
Total	$128,717	$109,801	$100,471	$145,760	$141,777	$142,260	$117,450	$89,951
Common Share Information (end of period)								
Number of common shares outstanding	39,604	39,128	38,717	38,463	38,153	37,831	35,432	35,432
Book value of common share [1]	$ 15.68	$ 15.52	$ 15.48	$ 15.65	$ 15.34	$ 15.24	$ 15.01	$ 14.89
Common share price - close	$ 19.45	$ 18.36	$ 18.25	$ 17.98	$ 16.10	$ 15.73	$ 15.89	$ 15.13
Market capitalization ($ million)	$ 770	$ 718	$ 707	$ 692	$ 614	$ 595	$ 563	$ 536

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

Quarterly Trends

- In 2023, we saw some stabilization in interest rates compared to prior periods, but still saw a total of 75 basis points increase in interest rates during the year, as well as uncertainty on future increases by the Bank of Canada and on the Canadian economy's risk of recession. There continued to be volatility in REIT stock prices leading to unrealized losses. In 2024, we saw the beginning of interest rate cuts which helped initially with a recovery on REIT stock prices; however, Q4 2024 saw larger unrealized losses on our REITS and our non-marketable securities mainly related to the economic environment and its impact on valuations. So far in 2025, income from MCAP has been higher and we increased our provision for credit losses mainly due to the forward looking macroeconomic impacts from the current economic and geopolitical environment.

- In 2023, the rising interest rate environment had increased rates in our floating rate residential construction portfolio above their floor rates. We also focused on changing the laddering of the duration of our term deposits which kept average term deposit rates from rising faster than our mortgage rates. This increased our spread of non-securitized mortgages over term deposit interest and expenses. Beginning in Q2 2024, we saw a larger decline in our spread of non-securitized mortgages over term deposit interest and expenses as rates on our non-securitized mortgages fell faster than our term deposits in the declining interest rate environment. In Q4 2024 and Q1 2025, we saw increases in our spread of non-securitized mortgages over term deposit interest and expenses due to our hedging strategies and pricing initiatives which lowered our term deposit costs more than our non-securitized mortgage rates. In Q2 2025, the decline is mainly due to prime rate cuts impacting our floating rate residential construction loans as well as the timing of new hedging positions.

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

- In order to take advantage of the tax benefits provided by our Mortgage Investment Corporation ("MIC") status, we pay out all of MCAN's non-consolidated taxable income to shareholders through dividends. In Q3 2023, we had higher taxable income from our core business as well as from our investment in MCAP. In Q3 2023, we increased our quarterly cash dividend per share by 6% to $0.38 due to taxable income growth. In Q4 2023, we had lower taxable income as a result of tax timing differences on multi-family securitization transactions. In 2024 and Q1 2025, we have higher taxable income mainly as a result of higher taxable income from MCAP. In Q1 2024, we increased our quarterly cash dividend by 3% to $0.39. In Q1 2025, we increased our quarterly cash dividend by 5% to $0.41 due to taxable income growth. In Q2 2025, we had slightly lower taxable income due to lower taxable income from MCAP and higher multi-family securitization transactions.

- Common Equity Tier 1 ("CET 1"), Tier 1 Capital and Total Capital to risk-weighted assets ratio reductions are generally due to our growing risk-weighted assets compared to our capital base. In 2023, 2024 and so far in 2025, we raised $2 million, $7 million and $7 million, respectively, of capital through our at-the-market equity program ("ATM Program"). Improvement to our ratios in Q1 2024 was due to a successful $29 million capital raise by way of an overnight marketed offering. Our Dividend Reinvestment Program ("DRIP") provides us with a reliable source of capital maintenance each quarter. All of our capital and leverage ratios are within our internal risk appetite and regulatory 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 in Q2 2025 in our uninsured residential mortgages; however, we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average loan to value ("LTV") of 64.0% at June 30, 2025 based on an industry index of current real estate values. For our residential construction loan arrears, we expect them to be brought current or we have initiated asset recovery programs. We have a strong track record with our default management processes and asset recovery programs as the need arises. Our realized loan losses on our construction portfolio have been negligible.

BUSINESS OVERVIEW AND OUTLOOK

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

Economic Outlook

The Canadian economy is in a period of ongoing geopolitical and economic uncertainty as tariff threats have yielded a softer outlook and an increase in unemployment. Canada saw some recovery initially from declining interest rates with better gross domestic product ("GDP") growth. However, this momentum was softened by the unpredictability of tariffs and the Bank of Canada maintaining its overnight rate in June as a result of firmness in recent inflation data. The magnitude and duration of changes in tariffs on international trade present 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 interest rates will move lower than current levels through 2025 but they will be more moderate than previously forecasted. Higher leveraged households and an uncertain job market have shifted consumer spending toward debt servicing and more conservative spending habits, with a pullback in discretionary spending. Slower immigration growth will also create a drag on GDP growth. We expect geopolitical uncertainty and its impact on the economy to be the dominant concern for the rest of the year.

Housing Market Outlook

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

Business Outlook

We believe that our business is well structured with its focus on multiple facets of the Canadian residential real estate market and diversified funding. This gives us some flexibility in terms of income generation and allows us to balance the volatility that we may experience at certain points and in certain areas of our business. We believe that there is an opportunity to expand our core businesses within our capital requirements 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

We expect continued high demand for more affordable housing, which is our main strategy. Our MCAN Capital division manages our construction, commercial and uninsured completed-inventory lending portfolios. We have seen growth in the MCAN capital portfolio, which is over $1.3 billion, and we are building our pipeline to manage runoff from completed projects and maintain controlled growth. 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 the entire portfolio and the market very closely, and we will continue to use our credit management practices in the context of the prevailing market. Some projects may experience construction delays for a variety of factors including extended permitting, presale or contracting activities given the current state of the housing market. Tariffs on international trade may further increase construction costs. All these factors have, and may continue to have, an impact on the timing of repayments as loans remain outstanding longer; however, they have not changed the overall expected success of these construction projects or the performance of the loans within this portfolio. Our philosophy within our MCAN Capital division is to apply a prudent approach to our underwriting criteria in line with our risk appetite, with a focus on well-located and more affordable residential products, near transit corridors, with experienced borrowers and developers where we have existing relationships. We will continue to remain vigilant in our underwriting and loan management practices and look to onboard new borrowers and developers that fit within our lending philosophy.

MCAN Home Division

Our MCAN Home division manages our residential lending business. Given the geopolitical and economic environment, our risk management, credit monitoring and assessment activities continue to have a heightened focus in operating our business. We continue to focus on proactively protecting our net interest margins on our residential mortgages with our credit underwriting to ensure that we are adequately compensated for the level of risk we may take. We expect a moderate increase in home purchase activity, and more competition in our market in order to attract what demand is coming in for both originations and renewals, when more meaningful interest rate cuts occur; however, the economic impact of the current geopolitical environment remains uncertain. Despite the noted uncertainty, we remain open for business while taking a prudent approach to the mortgage originations we undertake. We are also looking to further grow our uninsured residential mortgage originations as we scale our new uninsured residential mortgage third-party securitization program with a Canadian Schedule I Chartered bank. In July 2025, we securitized $80.2 million under this program for the first time. This is an integral part of our diversification and capital optimization strategy. 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 originations of term deposits to maintain the level of non-securitized mortgage growth we have achieved. We expect there will continue to be volatility in the Government of Canada bond yield curve and, therefore, volatility in pricing in the term deposit market due to changing demand from interest rate changes and financial institution appetite for term deposits. We continue to look for opportunities to adjust the maturity terms of our term deposits relative to our non-securitized mortgage portfolio in line with interest rate forecasts. We will continue to utilize our hedging strategies to minimize interest rate risk in this rate environment, particularly if 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 equity market conditions and shareholder appetite as well as business growth opportunities. We will continue to leverage our ATM and DRIP programs and other share offerings when it makes sense. MCAN's management and Board are committed to proactively and effectively managing and evolving all our strategies, business activities and team to achieve our targeted average annual growth in assets over the long term of 10%.

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

HIGHLIGHTS

Q2 2025

- Net income totalled $20.2 million in Q2 2025, an increase of $0.5 million (2%) from $19.7 million in Q2 2024.

- Pre-provision pre-tax income ("PPPT")[1] totalled $23.0 million in Q2 2025, an increase of $1.2 million (6%) from $21.8 million in Q2 2024.

- Earnings per share totalled $0.51 in Q2 2025, a decrease of $0.01 (2%) from $0.52 in Q2 2024.

- Return on average shareholders' equity[1] was 13.19% in Q2 2025, a decrease from 13.63% in Q2 2024.

- Net non-securitized mortgage spread income[1] increased by $0.5 million in Q2 2025 from Q2 2024. The net non-securitized mortgage spread income increased due to a higher average non-securitized mortgage portfolio balance from mortgage portfolio growth, offset by a reduction in the spread of non-securitized mortgages over term deposit interest and expenses. The decrease in the spread of non-securitized mortgages over term deposit interest and expenses is mainly due to a larger decrease in our mortgage rates compared to our term deposits, mainly in our floating rate residential construction portfolio, as prime rates have declined since Q2 2024. This was partially offset by residential mortgage pricing initiatives and continuing to manage our interest rate risk through the duration of our term deposit funding and related hedging strategies.

- Net securitized mortgage spread income[1] increased by $0.5 million in Q2 2025 from Q2 2024. The net securitized mortgage spread income increased due to a higher spread of securitized mortgages over liabilities and a higher average securitized mortgage portfolio balance from higher securitization volumes of insured residential mortgages exceeding maturities. We have seen better economics on securitizations as the spread of Government of Canada bond yields versus our mortgage rates widened as interest rates declined.

- Provision for credit losses on our non-securitized mortgage portfolio of $2.2 million in Q2 2025 mainly due to (i) worsening economic forecasts due to the current economic and geopolitical environment; (ii) interest provisioning on our impaired residential construction loans; and (iii) a slight increase in uninsured residential mortgage arrears. We believe that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 64.0% at June 30, 2025 based on an industry index of current real estate values. In Q2 2024, we had a provision for credit losses of $1.4 million mainly due to growth in our portfolio, less favourable underlying economic forecasts relating to unemployment rates, and one additional impaired residential construction loan.

- Equity income from MCAP Commercial LP ("MCAP") totalled $9.7 million in Q2 2025, an increase of $2.0 million (26%) from $7.7 million in Q2 2024, which was primarily due to (i) higher financial instrument gains, including hedge gains; and (ii) lower interest expense as interest rates have declined. These were partially offset by (i) higher non-interest expenses, including salaries and benefits as well as investments in technology; and (ii) higher securitization expense due to higher securitization volumes.

Year to Date ("YTD") 2025

- Net income totalled $36.8 million for YTD 2025, a decrease of $6.2 million (14%) from $43.0 million for YTD 2024. Our YTD 2025 results so far were mainly impacted by higher provisions for credit losses due to the same factors as described for Q2 2025 above.

- PPPT[1] totalled $42.4 million for YTD 2025, a decrease of $1.7 million (4%) from $44.1 million in YTD 2024.

- Earnings per share totalled $0.94 for YTD 2025, a decrease of $0.23 (20%) from $1.17 in YTD 2024.

- Return on average shareholders' equity[1] was 12.10% for YTD 2025 compared to 15.31% in YTD 2024.

- Net non-securitized mortgage spread income[1] decreased by $1.2 million from YTD 2024. The net non-securitized mortgage spread income decreased due to a reduction in the spread of non-securitized mortgages over term deposit interest and expenses partially offset by a higher average non-securitized mortgage portfolio balance from continued originations and renewals. For YTD 2025, the decrease in the spread of non-securitized mortgages over term deposit interest and expenses is mainly due to the same factors as for Q2 2025 mentioned above.

- Net securitized mortgage spread income[1] increased by $1.0 million from YTD 2024. 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 Q2 2025 mentioned above.

- Provision for credit losses on our non-securitized mortgage portfolio of $5.3 million for YTD 2025 mainly due to the same factors as Q2 2025. For YTD 2024, there was a provision for credit losses of $0.8 million mainly due to the same factors as described for Q2 2024 mentioned above.

- Equity income from MCAP totalled $15.3 million for YTD 2025, an increase of $0.4 million (3%) from $14.9 million for YTD 2024. For YTD 2025, the increase is mainly due to (i) lower interest expense as interest rates have declined; (ii) lower financial instrument losses, including hedge losses; and (iii) higher net interest income from securitized mortgages. These were partially offset by (i) lower investment revenue from lower mortgage rates; (ii) lower mortgage origination fees from lower sales volumes; and (iii) higher securitization expense due to higher securitization volumes.

Business Activity and Balance Sheet

- Non-securitized assets totalled $3.2 billion at June 30, 2025, a net increase of $215 million (7%) from March 31, 2025 and a net increase of $362 million (13%) from December 31, 2024.

    - Non-securitized mortgage portfolio totalled $2.7 billion at June 30, 2025, a net increase of $197 million (8%) from March 31, 2025 and a net increase of $277 million (11%) from December 31, 2024.

    - Construction loan portfolios totalled $1.2 billion at June 30, 2025, a net increase including repayments of $51 million (5%) from March 31, 2025 and a net increase including repayments of $77 million (7%) from December 31, 2024. The movement in the portfolio is attributed to new loan advances and repayments on completing projects. Originations have been steady 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 $1.2 billion at June 30, 2025, a net increase of $27 million (2%) from March 31, 2025 and a net increase of $53 million (5%) from December 31, 2024. We continue to see higher uninsured originations and steady uninsured residential mortgage renewals supported by our outstanding service to our brokers, originators and customers. We actively manage origination and renewal volumes in order to optimize our net interest margins and net income.

- Securitized assets totalled $2.5 billion at June 30, 2025, a net increase of $81 million (3%) from March 31, 2025 and a net increase of $29 million (1%) from December 31, 2024.

    - Securitized insured residential mortgages totalled $2.4 billion at June 30, 2025, a net increase of $75 million (3%) from March 31, 2025 and a net increase of $9 million (0.4%) from December 31, 2024. As we have seen 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 supported by outstanding service to our brokers, originators and customers. 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 third quarter regular cash dividend of $0.41 per share to be paid September 29, 2025 to shareholders of record as of September 15, 2025. As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income.

Credit Quality

- Arrears total mortgage ratio[1] was 2.49% at June 30, 2025 compared to 2.24% at March 31, 2025 and 2.06% at December 31, 2024. The majority of our residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. While greater than 30 days arrears has increased in our uninsured residential mortgages, we believe overall that we have a quality uninsured residential mortgage loan portfolio with an average LTV of 64.0% at June 30, 2025 compared to 64.3% at March 31, 2025 and 63.7% at December 31, 2024 based on an industry index of current real estate values. With respect to our construction loan portfolio, loans in arrears represent six construction loans. We have a strong track record with our default management processes and asset recovery programs as the need arises.

- Impaired non-securitized mortgage ratio[1] was 2.34% at June 30, 2025 compared to 2.31% at March 31, 2025 and 2.46% at December 31, 2024. At June 30, 2025, impaired mortgages mainly represent five impaired construction loans as well as uninsured residential mortgages where asset recovery programs have been initiated or we expect the loans to be brought current. We monitor the delinquency and impairment status of our loans and takes appropriate steps with our borrowers to ensure an optimal resolution.

- Impaired total mortgage ratio[1] was 1.25% at June 30, 2025 compared to 1.20% at March 31, 2025 and 1.25% at December 31, 2024.

Capital

- We manage our capital and asset balances based on the regulations and limits of both the *Income Tax Act* (Canada) (the “Tax Act”) and OSFI.

- We have a Base Shelf prospectus allowing us to make certain public offerings of debt or equity securities during the period that it is effective, through Prospectus Supplements. We have an ATM Program, established pursuant to a Prospectus Supplement to our Base Shelf prospectus, allowing us to issue up to $30 million common shares to the public from time to time at the market prices prevailing at the time of sale. Our Base Shelf prospectus and our Prospectus Supplement for our ATM Program expire in September 2025 and we intend to renew both.
    - In Q2 2025, we sold 305,700 common shares at a weighted average price of $19.37 for gross proceeds of $5.9 million and net proceeds of $5.6 million including $0.1 million of agent commission paid and $0.2 million of other share issuance costs under the ATM Program. So far in

2025, we sold 366,900 common shares at a weighted average price of $19.19 for gross proceeds of $7.0 million and net proceeds of $6.7 million including $0.1 million of agent commission paid and $0.2 million of other share issuance costs under the ATM Program. At June 30, 2025, we have $13.9 million remaining available to be issued through our ATM Program. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion.

- We issued $2.5 million in new common shares through the Dividend Reinvestment Plan ("DRIP") in Q2 2025 compared to $4.5 million in Q1 2025 (includes both Q4 2024 and Q1 2025 dividends) and $4.4 million in Q2 2024. The DRIP participation rate was 15% for the Q2 2025 dividend (Q1 2025 dividend - 15%; Q2 2024 dividend - 30%).

- Income tax assets to capital ratio[3] was 5.42 at June 30, 2025 compared to 5.41 at March 31, 2025 and 5.24 at December 31, 2024.

- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[2] were 18.90% at June 30, 2025 compared to 19.12% at March 31, 2025 and 19.02% at December 31, 2024. Total Capital to risk-weighted assets ratio[2] was 19.22% at June 30, 2025 compared to 19.43% at March 31, 2025 and 19.28% at December 31, 2024. Leverage ratio[2] was 9.32% at June 30, 2025 compared to 9.64% at March 31, 2025 and 9.72% at December 31, 2024. All of our capital and leverage ratios are within our regulatory and internal risk appetite guidelines.

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

RESULTS OF OPERATIONS

Table 3: Net Income

(in thousands except for per share amounts and %) For the Periods Ended	Q2 2025	Q1 2025	Change (%)	Q2 2024	Change (%)	YTD 2025	YTD 2024	Change (%)
Net Interest Income - Non-Securitized Assets								
Mortgage interest	$ 46,882	$ 45,148	4 %	$ 48,422	(3)%	$ 92,030	$ 96,430	(5)%
Interest on cash and other	1,249	792	58 %	1,173	6 %	2,041	2,165	(6)%
	48,131	**45,940**	**5 %**	**49,595**	**(3)%**	**94,071**	**98,595**	**(5)%**
Term deposit interest and expenses	25,502	24,882	2 %	27,526	(7)%	50,384	53,596	(6)%
Interest on loans payable	2,093	394	431 %	841	149 %	2,487	2,425	3 %
	27,595	**25,276**	**9 %**	**28,367**	**(3)%**	**52,871**	**56,021**	**(6)%**
	20,536	**20,664**	**(1)%**	**21,228**	**(3)%**	**41,200**	**42,574**	**(3)%**
Net Interest Income - Securitized Assets								
Mortgage interest	18,960	18,742	1 %	14,695	29 %	37,702	28,035	34 %
Interest on cash and other	442	383	15 %	388	14 %	825	878	(6)%
	19,402	**19,125**	**1 %**	**15,083**	**29 %**	**38,527**	**28,913**	**33 %**
Interest on financial liabilities from securitization	16,276	16,036	1 %	12,493	30 %	32,312	23,680	36 %
	16,276	**16,036**	**1 %**	**12,493**	**30 %**	**32,312**	**23,680**	**36 %**
	3,126	**3,089**	**1 %**	**2,590**	**21 %**	**6,215**	**5,233**	**19 %**
Total Net Interest Income	**23,662**	**23,753**	**— %**	**23,818**	**(1)%**	**47,415**	**47,807**	**(1)%**
Non-interest Income								
Equity income from MCAP Commercial LP	9,732	5,571	75 %	7,726	26 %	15,303	14,909	3 %
Distribution income from securities	2,251	2,741	(18)%	2,765	(19)%	4,992	5,347	(7)%
Fees	761	1,080	(30)%	756	1 %	1,841	1,629	13 %
Net gain (loss) on securities	406	1,099	(63)%	(715)	(157)%	1,505	(688)	(319)%
Other	745	12	6,108 %	—	n/a	757	—	n/a
Gain on dilution of investment in MCAP Commercial LP	—	—	n/a	680	(100)%	—	680	(100)%
	13,895	**10,503**	**32 %**	**11,212**	**24 %**	**24,398**	**21,877**	**12 %**
Total Income	**37,557**	**34,256**	**10 %**	**35,030**	**7 %**	**71,813**	**69,684**	**3 %**
Provision for credit losses	2,227	3,089	(28)%	1,436	55 %	5,316	796	568 %
Non-interest Expenses								
Salaries and benefits	6,873	7,119	(3)%	6,345	8 %	13,992	12,344	13 %
General and administrative	7,707	7,762	(1)%	6,911	12 %	15,469	13,286	16 %
	14,580	**14,881**	**(2)%**	**13,256**	**10 %**	**29,461**	**25,630**	**15 %**
Net Income Before Income Taxes	**20,750**	**16,286**	**27 %**	**20,338**	**2 %**	**37,036**	**43,258**	**(14)%**
Provision for (recovery of) income taxes								
Current	2	—	n/a	7	(71)%	2	68	(97)%
Provision for (recovery of) income taxes	561	(304)	(285)%	582	(4)%	257	221	16 %
	563	**(304)**	**(285)%**	**589**	**(4)%**	**259**	**289**	**(10)%**
Net Income	**$ 20,187**	**$ 16,590**	**22 %**	**$ 19,749**	**2 %**	**$ 36,777**	**$ 42,969**	**(14)%**
Basic and diluted earnings per share	$ 0.51	$ 0.43	19 %	$ 0.52	(2)%	$ 0.94	$ 1.17	(20)%
Cash dividends per share	$ 0.41	$ 0.41	— %	$ 0.39	5 %	$ 0.82	$ 0.78	5 %

Net Interest Income - Non-Securitized Assets

Mortgage Interest Income

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

For the Quarters Ended	June 30, 2025			March 31, 2025			June 30, 2024		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Residential mortgages									
Insured	$ 208,239	$ 1,830	3.52 %	$ 129,357	$ 1,159	3.60 %	$ 319,496	$ 3,478	4.36 %
Uninsured	1,161,119	19,067	6.57 %	1,123,190	18,680	6.68 %	1,024,037	17,651	6.90 %
Uninsured - completed inventory	118,973	2,378	8.01 %	112,024	2,301	8.32 %	53,382	1,314	9.89 %
Construction loans									
Residential	1,111,021	22,970	8.29 %	1,079,045	22,608	8.49 %	1,018,565	24,665	9.73 %
Non residential	22,979	402	7.01 %	6,166	113	7.42 %	2,909	70	9.63 %
Commercial loans									
Multi-family residential	7,477	235	12.58 %	17,150	287	6.78 %	55,475	1,220	8.84 %
Other	—	—	—	—	—	— %	1,040	24	9.17 %
Mortgages - non-securitized portfolio	$2,629,808	$ 46,882	7.14 %	$2,466,932	$ 45,148	7.39 %	$2,474,904	$ 48,422	7.85 %
Term deposit interest and expenses	2,273,383	25,502	4.40 %	2,198,005	24,882	4.50 %	2,206,377	27,526	4.92 %
Net non-securitized mortgage spread income[1]		$ 21,380			$ 20,266			$ 20,896	
Spread of non-securitized mortgages over term deposit interest and expenses [1]			2.74 %			2.89 %			2.93 %
Average term to maturity (months)									
Mortgages - non-securitized	11.3			9.1			12.1		
Term deposits	17.7			17.7			19.2		

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

For the Six Months Ended June 30	2025			2024		
(in thousands except %)	Average Balance [1]	Interest Income	Average Rate [1]	Average Balance [1]	Interest Income	Average Rate [1]
Residential mortgages						
Insured	$ 169,016	$ 2,989	3.54 %	$ 300,144	$ 6,467	4.31 %
Uninsured	1,142,259	37,747	6.62 %	1,005,703	34,145	6.80 %
Uninsured - completed inventory	115,518	4,679	8.16 %	51,469	2,516	9.83 %
Construction loans						
Residential	1,095,121	45,579	8.39 %	1,036,866	50,468	9.78 %
Non residential	14,619	515	7.10 %	2,309	110	9.54 %
Commercial loans						
Multi-family residential	9,801	521	10.72 %	55,714	2,673	9.64 %
Other commercial	—	—	— %	1,117	51	9.25 %
Mortgages - non-securitized portfolio	$ 2,546,334	$ 92,030	7.26 %	$ 2,453,322	$ 96,430	7.89 %
Term deposit interest and expenses	2,235,902	50,384	4.45 %	2,175,850	53,596	4.85 %
Net non-securitized mortgage spread income[1]		$ 41,646			$ 42,834	
Spread of non-securitized mortgages over term deposit interest and expenses [1]			2.81 %			3.04 %

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

Table 6: Mortgage Originations

(in thousands except %) For the Periods Ended	Q2 2025	Q1 2025	Change (%)	Q2 2024	Change (%)	YTD 2025	YTD 2024	Change (%)
Originations								
Residential mortgages - insured fixed [2]	$ 270,226	$ 49,117	450%	$ 177,684	52%	$ 319,343	$ 309,160	3%
Residential mortgages - insured adjustable rate [2]	41,156	39,688	4%	7,583	443%	80,844	47,297	71%
Residential mortgages - uninsured [2]	133,846	96,823	38%	112,171	19%	230,669	196,625	17%
Residential mortgages - uninsured completed inventory [1]	12,172	21,408	(43%)	61,607	(80%)	33,580	62,687	(46%)
Residential construction [1]	159,593	143,395	11%	157,133	2%	302,988	278,832	9%
Non-residential construction [1]	20,110	109	18,350%	4,551	342%	20,219	4,598	340%
	$ 637,103	**$ 350,540**	**82%**	**$ 520,729**	**22%**	**$ 987,643**	**$ 899,199**	**10%**

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

Overview

For Q2 2025 and YTD 2025, the decrease in the spread of non-securitized mortgages over term deposit interest and expenses compared to Q1 2025, Q2 2024 and YTD 2024 is mainly due to the decrease in our mortgage rates, mainly in our floating rate residential construction portfolio as prime rates have declined 200 bps since the end of Q2 2024, generally exceeding the pace of decrease in our average term deposit rates and related hedges due to the timing of new hedging positions. 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 non-securitized mortgage portfolio as well as utilizing our hedging strategies to lock-in spreads. For information on our term deposit fair value hedging, see "Derivatives and Hedging" sub-section below.

Residential Mortgage Lending

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

Excluding residential mortgages - uninsured completed inventory, which is invested in opportunistically as deals arise, total origination volumes in Q2 2025 and YTD 2025 on our residential mortgages were higher compared to Q1 2025, Q2 2024 and YTD 2024 as rates have begun to decline in the current environment, as well as our outstanding service to our brokers, originators and customers. We also saw steady uninsured residential mortgage renewals with $141 million in Q2 2025 compared to $131 million in Q2 2024, as borrowers continue to find it more convenient to stay with their existing lender in the current market environment.

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

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

We have agreements whereby we can sell our (i) insured and uninsured residential mortgage commitments; and (ii) uninsured residential mortgage whole loans. We originated and sold $12 million in commitments in Q2 2025 (Q1 2025 - $40 million; Q2 2024 - $nil) and $52 million for YTD 2025 (YTD 2024 - $nil) under these agreements. In Q1 2025, 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 Q2 2025 insured residential mortgage securitization volumes were $211 million (Q1 2025 - $53 million; Q2 2024 - $157 million) and $264 million for YTD 2025 (YTD 2024 - $371 million). As we have seen 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 supported by outstanding service to our brokers, originators and customers. Further interest rate decreases would help first time home buyers, who would be a significant portion of the borrowers of our insured residential mortgages. Renewals of securitized mortgages fluctuate each period depending on the maturities in the securitization portfolio.

Mortgage Renewal Rights

Through our origination platform, we retain the renewal rights to internally originated residential mortgages that are held as non-securitized or securitized mortgages or have been sold to third parties and derecognized from the interim consolidated balance sheet. At maturity, we have the right to renew these mortgages, which we believe will contribute to future income including renewal income. At June 30, 2025, we had the renewal rights to $3.8 billion of residential mortgages (March 31, 2025 - $3.6 billion; December 31, 2024 - $3.6 billion).

Construction and Commercial

We continue to focus on growing our balances in our residential construction portfolio in selected markets, with our preferred borrowers and risk profile as they tend to provide comparatively higher yields given their risk profile. For Q2 2025 and YTD 2025 compared to Q1 2025, Q2 2024 and YTD 2024, the decrease in average rates is mainly due to Bank of Canada interest rate cuts reducing our mostly floating rate construction loans and competitive pricing for quality deals. Higher average balances offset by lower average residential construction rates from the declining interest rate environment contributed to a slightly lower non-securitized mortgage interest compared to prior periods. 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 may experience construction delays for a variety of factors including extended permitting, presale or contracting activities given the current state of the housing market. To date, projects continue to progress toward completion within our expected margins. Current impaired construction mortgages include five mortgages where asset recovery programs have already been initiated. We have a strong track record with our default management processes and asset recovery programs as the need arises. Our realized loan losses on our construction portfolio have been negligible. Our prudent underwriting approach requires satisfactory borrower liquidity, guarantor net worth and presale requirements as applicable to the respective markets.

Term Deposit Interest and Expenses

The reduction in term deposit interest and expenses for Q2 2025, Q1 2025, and YTD 2025 compared to prior year periods was mostly due to lower average term deposit rates and related hedges from a declining interest rate environment. For Q2 2025 compared to Q1 2025, the increase is mainly due to a larger outstanding balances partially offset by lower term deposit rates and related hedges. 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 non-securitized mortgage portfolio and utilizing hedging strategies. Term deposit expenses include costs related to insurance, operating infrastructure and administration. For information on our term deposit fair value hedging, see “Derivatives and Hedging” sub-section below.

Derivatives and Hedging

Cash Flow Hedging

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

At June 30, 2025, we had $nil of derivatives outstanding relating to cash flow hedges (March 31, 2025 - $nil; December 31, 2024 - $nil) on our interim consolidated balance sheets. In Q2 2025, we had net realized fair value gains of $0.6 million (Q1 2025 - $nil fair value gains; Q2 2024 - $1.3 million realized fair value losses), and for YTD 2025, we had net realized fair value gains of $0.6 million (YTD 2024 - $1.2 million realized fair value losses) 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 June 30, 2025, the Company had $2.8 million of derivative financial assets outstanding relating to fair value hedges (March 31, 2025 - $6.0 million assets; December 31, 2024 - $2.5 million assets).

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

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

Net Interest Income - Securitization Assets

Net investment income from securitization assets relates to our participation in the market MBS program and the Canada Housing Trust ("CHT") Canada Mortgage Bonds ("CMB") program. We securitize our insured residential mortgages opportunistically through these programs.

Beginning in Q3 2025, we have an agreement with a Canadian Schedule I Chartered bank to participate in an uninsured residential mortgage third-party securitization program sponsored by the bank. Under this agreement, we can sell qualifying uninsured residential mortgages that meet certain requirements into the program and they remain in the program until maturity. In July 2025, we sold $80.2 million into this program. This is an integral part of our diversification and capital optimization strategy.

As securitization spreads continue to be favourable, we expect to continue to be aggressive in originating insured and uninsured 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	June 30, 2025			March 31, 2025			June 30, 2024		
(in thousands except %)	Average Balance[1]	Interest Income	Average Rate[1]	Average Balance[1]	Interest Income	Average Rate[1]	Average Balance[1]	Interest Income	Average Rate[1]
Mortgages - securitized portfolio	$2,345,772	$ 18,960	3.24 %	$2,368,150	$ 18,742	3.18 %	$2,049,672	$ 14,695	2.88 %
Financial liabilities from securitization	2,375,435	16,276	2.74 %	2,394,557	16,036	2.68 %	2,067,830	12,493	2.42 %
Net securitized mortgage spread income[1]		$ 2,684			$ 2,706			$ 2,202	
Spread of securitized mortgages over liabilities[1]			0.50 %			0.50 %			0.46 %

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

For the Six Months Ended June 30	2025			2024		
(in thousands except %)	Average Balance[1]	Interest Income	Average Rate[1]	Average Balance[1]	Interest Income	Average Rate[1]
Mortgages - securitized portfolio	$ 2,356,899	$ 37,702	3.21 %	$ 2,008,773	$ 28,035	2.80 %
Financial liabilities from securitization	2,384,943	32,312	2.71 %	2,022,404	23,680	2.34 %
Net securitized mortgage spread income[1]		$ 5,390			$ 4,355	
Spread of securitized mortgages over liabilities[1]			0.50 %			0.46 %

[1] Considered to be a non-GAAP and other financial measure. The net securitized mortgage spread income and spread of securitized mortgages over liabilities are indicators of the profitability of securitized assets less securitized liabilities. Net securitized mortgage spread income is calculated as the difference between securitized mortgage interest and interest on financial liabilities from securitization, both of which are IFRS measures. Average rate is equal to income/expense divided by the average balance over the period on an annualized basis. Income/expense incorporates items such as penalty income, indemnity expense and cash flow hedging 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 2025, we have seen average spreads improve on securitizations compared to prior year 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 had been declining on the expectation of a further declining interest rate environment.

Non-interest Income

Equity Income from MCAP

In Q2 2025, MCAP's origination volumes were $6.9 billion, an increase from $5.7 billion in Q2 2024. At May 31, 2025 (we account for MCAP on a one-month lag basis), MCAP had $155.4 billion of assets under management compared to $153.5 billion at February 28, 2025 and $155.5 billion at May 31, 2024. Equity income from MCAP totalled $9.7 million in Q2 2025, an increase of $2.0 million from $7.7 million in Q2 2024. For Q2 2025, the increase in equity income from MCAP was primarily due to (i) higher financial instrument gains, including hedge gains; and (ii) lower interest expense as interest rates have declined. These were partially offset by (i) higher non-interest expenses, including salaries and benefits as well as investments in technology; and (ii) higher securitization expense due to higher securitization volumes. For YTD 2025, equity income from MCAP totalled $15.3 million, an increase of $0.4 million from $14.9 million YTD 2024. For the YTD, the increase in equity income from MCAP was mainly due to (i) lower interest expense as interest rates have declined; (ii) lower financial instrument losses, including hedge losses; and (iii) higher net interest income from securitized mortgages. These were partially offset by (i) lower investment revenue from lower mortgage rates; (ii) lower mortgage origination fees from lower sales volumes; and (iii) higher securitization expense due to higher securitization volumes.

We recognize equity income from MCAP on a one-month lag such that our 2025 equity income from MCAP is based on MCAP's net income for the period ended May 31, 2025. For further information on our equity investment in MCAP, refer to the "Equity Investment in MCAP" sub-section of the "Financial Position" section of this MD&A.

Distribution Income from Securities

Non-Marketable

We received distribution income from KingSett High Yield Fund ("KSHYF") of $1.2 million in Q2 2025 (Q2 2024 - $1.6 million) and $2.6 million for YTD 2025 (YTD 2024 - $3.1 million). We received distribution income from KingSett Senior Mortgage Fund LP ("KSSMF") of $0.3 million in Q2 2025 (Q2 2024 - $0.4 million) and $0.7 million for YTD 2025 (YTD 2024 - $0.7 million).

Marketable

Marketable securities income consists mainly of distributions from our REIT portfolio. In Q2 2025, we received distributions of $0.8 million (distribution yield[1] of 5.22%) from our REITs compared to $0.8 million (distribution yield[1] of 6.07%) in Q2 2024. For YTD 2025, we received distributions of $1.7 million (distribution yield[1] of 5.81%) from our REITs compared to $1.5 million (distribution yield[1] of 6.01%) for YTD 2024. For YTD, the lower distribution yield is mainly due to lower distribution income from the underlying REITs and unrealized fair value gains. The distribution yield has been calculated based on the average portfolio carrying value.

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

Fees

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

Net Gain (Loss) on Securities

In Q2 2025, we recorded a $0.4 million a net realized and unrealized gain on securities compared to a $0.7 million net unrealized loss on securities in Q2 2024. Our net realized and unrealized gain on securities was $1.5 million for YTD 2025 compared to a net unrealized loss on securities of $0.7 million for YTD 2024.

Our marketable securities, mainly REITs, had some recovery in the current economic environment. Our non-marketable securities had net unrealized losses from certain underlying property investments as a result of (i) updated appraisals/property valuations, net of related property debt and debt service costs; and (ii) actual executions on construction and leasing stabilization and value-add activities. Our non-marketable securities are either held for long-term capital appreciation or distribution income. Our real estate development fund investments tend to have less predictable cash flows that are predicated on the completion of the development projects within these funds.

We continue to realize the benefits of regular cash flows and distributions from these investments.

For further information, refer to Note 15 to the interim consolidated financial statements.

Gain on Dilution of Investment in MCAP

In Q2 2025, MCAP issued no additional class B units to team members of MCAP. In Q2 2024, MCAP issued additional class B units to team members of MCAP 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.

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	Q2 2025	Q1 2025	Change (%)	Q2 2024	Change (%)	YTD 2025	YTD 2024	Change (%)
Provision for (recovery of) impaired non-securitized mortgages								
Residential mortgages								
Uninsured	$ 1,253	536	134%	146	758%	$ 1,789	$ 602	197%
Construction loans	651	807	(19%)	652	—%	1,458	1,307	12%
	1,904	1,343	42%	798	139%	3,247	1,909	70%
Provision for (recovery of) performing non-securitized mortgages								
Residential mortgages								
Uninsured	169	1,376	(88%)	103	64%	1,545	30	5,050%
Uninsured - completed inventory	(92)	131	(170%)	201	(146%)	39	39	—%
Construction loans	285	236	21%	305	(7%)	521	(1,056)	149%
Commercial loans								
Multi-family residential	(38)	3	(1,367%)	25	(252%)	(35)	(128)	73%
Other commercial	—	—	n/a	(2)	100%	—	(2)	100%
	324	1,746	(81%)	632	(49%)	2,070	(1,117)	285%
Other provisions (recoveries)	(1)	—	n/a	6	(117%)	(1)	4	(125%)
Total non-securitized provision for (recovery of) credit losses	2,227	3,089	(28%)	1,436	55%	5,316	796	568%
Provision for (recovery of) performing securitized mortgages	—	—	n/a	—	n/a	—	—	n/a
Total provision for (recovery of) credit losses	$ 2,227	$ 3,089	(28%)	$ 1,436	55%	$ 5,316	$ 796	568%
Non-securitized mortgage portfolio data:								
Provision for (recovery of) credit losses, net	$ 2,228	$ 3,089	(28%)	$ 1,430	56%	$ 5,317	$ 792	571%
Net write offs	$ 353	$ 182	94%	$ —	n/a	$ 535	$ 19	2,716%
Net write offs (basis points)	5.4	3.0	80%	—	n/a	2.1	0.1	2,000%

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

We had a provision for credit losses on our non-securitized mortgage portfolio of $2.2 million in Q2 2025, which was mainly due to (i) worsening economic forecasts due to the current economic and geopolitical environment; (ii) interest provisioning on our impaired residential construction loans; and (iii) a slight increase in uninsured residential mortgage arrears. In Q2 2024, we had a provision for credit losses of $1.4 million mainly due to growth in our portfolio, less favourable underlying economic forecasts relating to unemployment rates, and one additional impaired residential construction loan. We had a provision for credit losses on our non-securitized mortgage portfolio of $5.3 million for YTD 2025 and $0.8 million for YTD 2024 mainly due to the same factors as described for Q2 2025 and Q2 2024, respectively. The current geopolitical environment has increased the level of uncertainty with respect to management's judgments and estimates including the probability weights assigned to each scenario, the impacts of monetary policy on macroeconomic indicators and the mortgage portfolio. These judgments and uncertainties have been made or assessed with reference to the facts, projections and other circumstances at June 30, 2025. IFRS 9, Financial Instruments ("IFRS 9") does not permit the use of hindsight in measuring provisions for credit losses. Since June 30, 2025, forecasts around these uncertainties have continued to evolve. Any new forward-looking information subsequent to June 30, 2025, will be reflected in the measurement of provisions for credit losses in future periods, as appropriate. This may add significant variability to provisions for credit losses in future periods.

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

Non-interest Expenses

Table 10: Non-interest Expenses

(in thousands except %) **For the Periods Ended**	**Q2 2025**	**Q1 2025**	**Change (%)**	**Q2 2024**	**Change (%)**	**YTD 2025**	**YTD 2024**	**Change (%)**
Salaries and benefits	$ 6,873	$ 7,119	(3%)	$ 6,345	8%	$ 13,992	$ 12,344	13%
General and administrative	7,707	7,762	(1%)	6,911	12%	15,469	13,286	16%
	$ 14,580	**$ 14,881**	**(2%)**	**$ 13,256**	**10%**	**$ 29,461**	**$ 25,630**	**15%**

The increase in salaries and benefits in 2025 is mainly due to additional resources, regular pay increases, and higher share-based payment accruals.

The increase in general and administrative expenses in 2025 is primarily due to higher (i) marketing and business development costs to grow our business; (ii) professional fees and technology costs relating to new system enhancements for our business operations and customer experience; and (iii) higher mortgage servicing expenses from growth in our loan portfolios.

Taxable Income

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

Table 11: Taxable Income Reconciliation

(in thousands) **For the Periods Ended**	**Q2 2025**	**Q2 2024**	**YTD 2025**	**YTD 2024**
Consolidated net income for accounting purposes	$ 20,187	$ 19,749	$ 36,777	$ 42,969
Adjustments to calculate taxable income (loss):				
Reverse: Equity income from MCAP - accounting purposes	(9,732)	(7,726)	(15,303)	(14,909)
Add: MCAP taxable income (loss)	(14,252)	1,129	(10,902)	7,328
Add: Taxable capital gain on re-organization of investment in MCAP	12,500	—	12,500	—
Reverse: Provision for (recovery of) credit losses [2]	324	716	2,340	(940)
Add: Amortization of upfront securitization program costs [3]	2,468	3,556	6,037	7,098
Deduct: Securitization program mortgage origination costs [3]	(9,008)	(2,811)	(10,357)	(2,965)
Add: Securitization program premium (discount)	(62)	963	(118)	1,603
Reverse: Net realized and unrealized gain (loss) on securities [4]	(2,043)	715	(3,142)	688
Add: Capital gains (losses)	468	—	1,357	—
Reverse: Loss (income) earned in subsidiaries [5]	3,400	502	3,853	(288)
Deduct: Gain on dilution of MCAP [6]	—	(680)	—	(680)
Other items	4,493	646	3,328	975
Taxable Income (Loss)[1]	**$ 8,743**	**$ 16,759**	**$ 26,370**	**$ 40,879**

[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.

During the quarter, we executed an internal reorganization through a transfer of our equity investment in MCAP to a wholly-owned limited partnership. Taxable income for YTD 2025 compared to YTD 2024 was lower due to lower taxable income from our investment in MCAP partially offset by the taxable capital gain recognized on the aforementioned internal reorganization of our equity investment in MCAP. As a MIC, we pay out all of our taxable income to shareholders through dividends.

FINANCIAL POSITION

Assets

Table 12: Assets

(in thousands except %)	June 30 2025	March 31 2025	Change (%)	December 31 2024	Change (%)
Non-securitized Assets					
Cash and cash equivalents	$ 134,517	$ 113,555	18%	$ 61,703	118%
Marketable securities	58,092	62,140	(7%)	66,345	(12%)
Mortgages	2,741,371	2,544,500	8%	2,464,091	11%
Non-marketable securities	121,569	122,465	(1%)	117,428	4%
Equity investment in MCAP Commercial LP	128,915	122,805	5%	122,265	5%
Deferred tax asset	1,172	1,733	(32%)	1,430	(18%)
Derivative financial instruments	2,837	5,995	(53%)	2,508	13%
Other assets	33,724	33,935	(1%)	24,547	37%
	3,222,197	**3,007,128**	**7%**	**2,860,317**	**13%**
Securitization Assets					
Cash held in trust	62,156	62,788	(1%)	47,249	32%
Mortgages	2,428,828	2,353,531	3%	2,419,871	—%
Other assets	25,758	19,903	29%	20,128	28%
	2,516,742	**2,436,222**	**3%**	**2,487,248**	**1%**
	$ 5,738,939	**$ 5,443,350**	**5%**	**$ 5,347,565**	**7%**

Our total non-securitized and securitized assets increased compared to March 31, 2025 and December 31, 2024 primarily due to origination volumes, including 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 June 30, 2025, the average outstanding construction loan balance was $11 million (March 31, 2025 - $11 million; December 31, 2024 - $11 million) with a maximum individual loan commitment of $38 million (March 31, 2025 - $38 million; December 31, 2024 - $38 million).

Securitized Mortgages

We are an NHA MBS issuer, which involves the securitization of insured mortgages to create MBS. Securitization assets consist of insured residential mortgages that have been securitized through our internal market MBS program and the CHT CMB program. For further information, refer to Note 9 to the interim consolidated financial statements.

We securitized $211 million in Q2 2025 (Q1 2025 - $53 million; Q2 2024 - $157 million) and $264 million for YTD 2025 (YTD 2024 - $371 million) of insured residential mortgages through the market MBS program and CMB program. Overall, total insured residential mortgage origination volumes are higher supported by outstanding service to our brokers, originators and customers. 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 $230 million in Q2 2025 (Q1 2025 - $29 million; Q2 2024 - $nil) and $259 million for YTD 2025 (YTD 2024 - $nil) of insured multi-family mortgages through the CMB program. At the time of the insured multi-family securitization, the Company derecognized the mortgages from its balance sheet and recorded a gain on the sale of the mortgages of $0.7 million in Q2 2025 (Q2 2024 - $nil) and $0.8 million for YTD 2025 (YTD 2024 - $nil).

We may issue market MBS through the NHA MBS program and retain the underlying MBS security for liquidity purposes rather than selling the MBS to a third party. At June 30, 2025, we held $43 million of retained MBS on our balance sheet (March 31, 2025 - $45 million; December 31, 2024 - $46 million), which is included in the insured residential mortgage portfolio in non-securitized mortgages.

Beginning in Q3 2025, we have an agreement with a Canadian Schedule I Chartered bank to participate in an uninsured residential mortgage third-party securitization program sponsored by the bank. Under this agreement, we can sell qualifying uninsured residential mortgages that meet certain requirements into the program and they remain in the program until maturity. In July 2025, we sold $80.2 million into this program. This is an integral part of our diversification and capital optimization strategy.

Any mortgages securitized through the market MBS program, CMB program or bank sponsored uninsured securitization 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.

Table 13: Mortgage Summary

(in thousands except %)	June 30 2025	March 31 2025	Change (%)	December 31 2024	Change (%)
Non-securitized portfolio					
Residential mortgages					
Insured	$ 274,507	$ 152,208	80%	$ 126,528	117%
Uninsured	1,166,146	1,138,768	2%	1,113,372	5%
Uninsured - completed inventory	118,833	122,586	(3%)	119,428	—%
Construction loans	1,181,885	1,113,738	6%	1,087,561	9%
Commercial loans					
Multi-family residential	—	17,200	(100%)	17,202	(100%)
	2,741,371	**2,544,500**	**8%**	**2,464,091**	**11%**
Securitized portfolio	**2,428,828**	**2,353,531**	**3%**	**2,419,871**	**—%**
	$ 5,170,199	**$ 4,898,031**	**6%**	**$ 4,883,962**	**6%**

Table 14: Non-securitized Mortgage Portfolio Continuity for Q2 2025

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 152,208**	**$ 1,138,768**	**$ 122,586**	**$ 1,113,738**	**$ 17,200**	**$ 2,544,500**
Originations[1]	433,651	281,429	14,094	197,573	230,115	1,156,862
Payments and prepayments	(2,299)	(5,082)	(18,014)	(130,028)	(17,150)	(172,573)
Maturities	(90,246)	(245,763)	—	—	—	(336,009)
Securitizations	(211,189)	—	—	—	(230,115)	(441,304)
Sale of commitments	(9,292)	(2,539)	—	—	—	(11,831)
Capitalization and amortization of fees	1,674	(667)	167	602	(50)	1,726
Balance, end of the period	**$ 274,507**	**$ 1,166,146**	**$ 118,833**	**$ 1,181,885**	**$ —**	**$ 2,741,371**

[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: Non-securitized Mortgage Portfolio Continuity for Q2 2024

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 239,680**	**$ 1,007,946**	**$ 46,707**	**$ 1,034,004**	**$ 56,930**	**$ 2,385,267**
Originations[1]	230,845	209,012	61,607	161,683	—	663,147
Payments and prepayments	(3,520)	(3,460)	(24,511)	(167,456)	(2,931)	(201,878)
Maturities	(29,968)	(160,836)	—	—	—	(190,804)
Securitizations	(157,008)	—	—	—	—	(157,008)
Sale of commitments	—	—	—	—	—	—
Capitalization and amortization of fees	423	370	(322)	(1,005)	1,697	1,163
Balance, end of the period	**$ 280,452**	**$ 1,053,032**	**$ 83,481**	**$ 1,027,226**	**$ 55,696**	**$ 2,499,887**

[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 16: Non-securitized Mortgage Portfolio Continuity for Year to Date 2025

(in thousands)	Residential Mortgages					
	Insured	Uninsured	Uninsured - completed inventory	Construction loans	Commercial loans	Total
Balance, beginning of the period	**$ 126,528**	**$ 1,113,372**	**$ 119,428**	**$ 1,087,561**	**$ 17,202**	**$ 2,464,091**
Originations[1]	624,372	489,582	35,502	341,076	259,227	1,749,759
Payments and prepayments	(4,264)	(10,025)	(36,208)	(247,671)	(17,150)	(315,318)
Maturities	(164,140)	(418,283)	—	—	—	(582,423)
Securitizations	(263,912)	—	—	—	(259,227)	(523,139)
Sale of commitments and whole loans	(45,996)	(6,203)	—	—	—	(52,199)
Capitalization and amortization of fees	1,919	(2,297)	111	919	(52)	600
Balance, end of the period	**$ 274,507**	**$ 1,166,146**	**$ 118,833**	**$ 1,181,885**	**$ —**	**$ 2,741,371**

[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 17: Non-securitized 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]	428,462	391,627	62,686	296,118	—	1,178,893
Payments and prepayments	(6,612)	(6,626)	(33,482)	(318,835)	(15,673)	(381,228)
Maturities	(49,161)	(299,086)	—	—	—	(348,247)
Securitizations	(368,859)	—	—	—	—	(368,859)
Sale of commitments	—	—	—	—	—	—
Capitalization and amortization of fees	(63)	391	(90)	4,175	60	4,473
Balance, end of the period	**$ 280,452**	**$ 1,053,032**	**$ 83,481**	**$ 1,027,226**	**$ 55,696**	**$ 2,499,887**

[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 Mortgage Portfolios (in thousands)

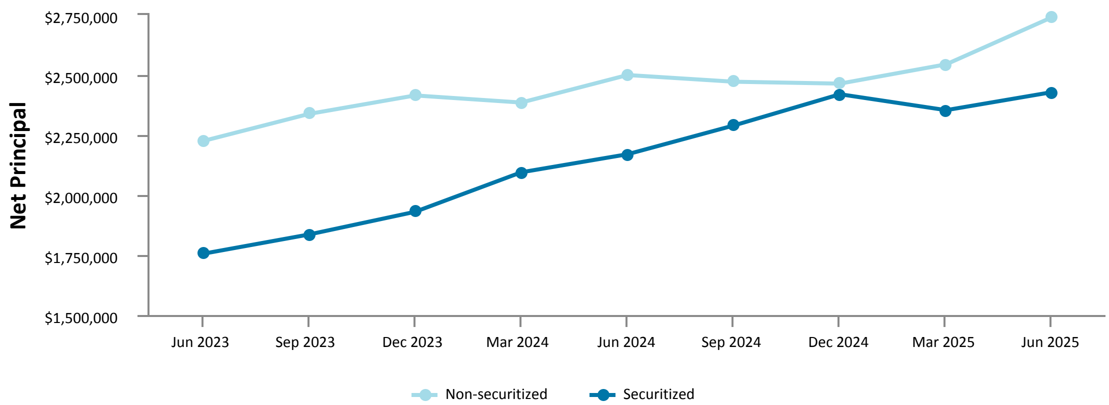
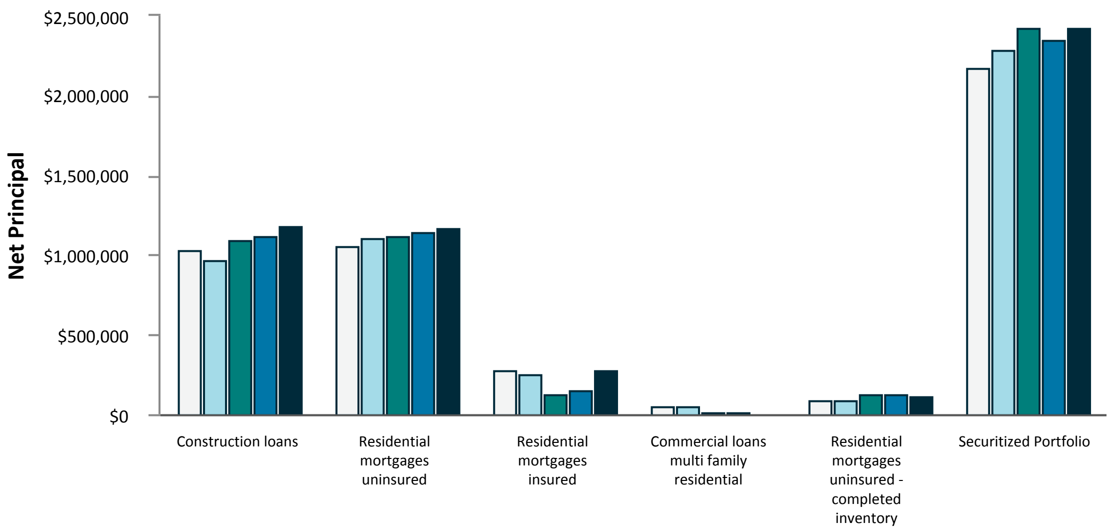


Figure 2: Mortgage Portfolio Composition by Product Type (in thousands)



	Construction loans	Residential mortgages uninsured	Residential mortgages insured	Commercial loans multi-family residential	Residential mortgages uninsured - completed inventory	Securitized Portfolio
Jun 30, 2024	$1,027,226 (22%)	$1,053,032 (23%)	$280,452 (6%)	$55,696 (1%)	$83,481 (2%)	$2,169,799 (46%)
Sep 30, 2024	$968,433 (21%)	$1,106,088 (23%)	$250,660 (5%)	$55,635 (1%)	$91,203 (2%)	$2,289,587 (48%)
Dec 31, 2024	$1,087,561 (22%)	$1,113,372 (23%)	$126,528 (3%)	$17,202 (0%)	$119,428 (2%)	$2,419,871 (50%)
Mar 31, 2025	$1,113,738 (23%)	$1,138,768 (23%)	$152,208 (3%)	$17,200 (0%)	$122,586 (3%)	$2,353,531 (48%)
Jun 30, 2025	$1,181,885 (23%)	$1,166,146 (23%)	$274,507 (5%)	$0 (0%)	$118,833 (2%)	$2,428,828 (47%)

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

Table 18: Mortgage Portfolio Geographic Distribution

	June 30, 2025		March 31, 2025		December 31, 2024	
	Non-securitized	Securitized	Non-securitized	Securitized	Non-securitized	Securitized
Ontario	64.0 %	81.8 %	62.2 %	82.3 %	62.5 %	82.5 %
British Columbia	28.2 %	2.7 %	30.5 %	2.9 %	28.2 %	3.0 %
Alberta	6.6 %	11.4 %	6.0 %	11.0 %	8.1 %	10.8 %
Atlantic Provinces	0.4 %	2.3 %	0.4 %	2.2 %	0.4 %	2.1 %
Quebec	0.2 %	0.2 %	0.2 %	0.2 %	0.2 %	0.2 %
Other	0.6 %	1.6 %	0.7 %	1.4 %	0.6 %	1.4 %
	100.0 %	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

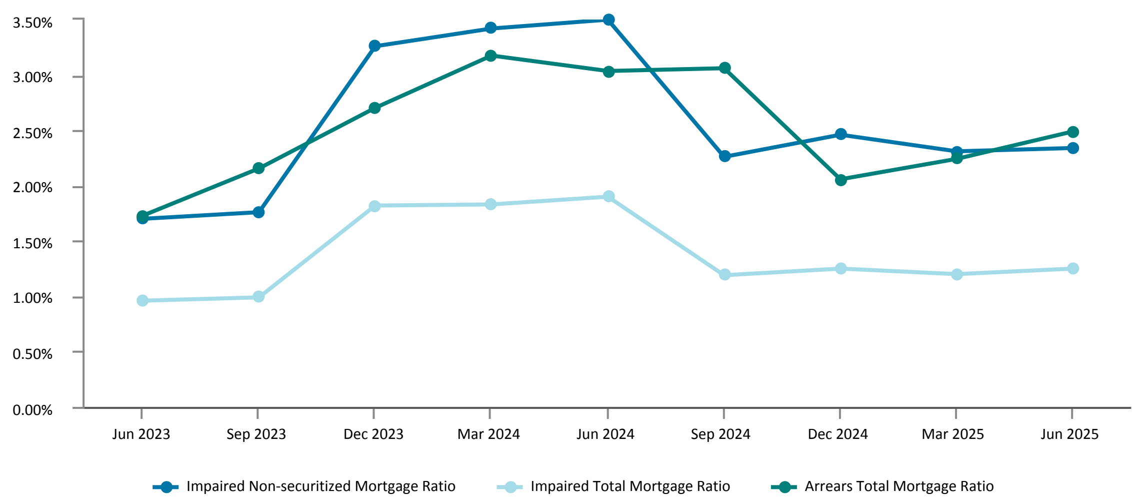
Credit Quality

Table 19: Arrears and Impaired Mortgages

(in thousands except %)	June 30 2025	March 31 2025	Change (%)	December 31 2024	Change (%)
Mortgage arrears					
Non-securitized					
Residential mortgages - insured	$ 2,465	$ 3,925	(37%)	$ 2,161	14%
Residential mortgages - uninsured	52,712	49,007	8%	48,888	8%
Construction loans	66,470	52,112	28%	45,319	47%
Total non-securitized mortgage arrears	121,647	105,044	16%	96,368	26%
Total securitized mortgage arrears	7,070	4,757	49%	4,103	72%
Total mortgage arrears	$ 128,717	$ 109,801	17%	$ 100,471	28%
Staging analysis					
Stage 2					
Non-securitized					
Residential mortgages - insured	$ 8,646	$ 7,663	13%	$ 7,511	15%
Residential mortgages - uninsured	215,143	221,994	(3%)	207,105	4%
Construction loans	37,544	7,575	396%	—	n/a
Commercial loans - multi-family residential	—	12,192	(100%)	12,194	(100%)
Total non-securitized mortgage arrears	261,333	249,424	5%	226,810	15%
Total securitized mortgage arrears	150,418	142,476	6%	142,862	5%
Total Stage 2	$ 411,751	$ 391,900	5%	$ 369,672	11%
Stage 3 - impaired mortgages					
Residential mortgages - insured	$ 490	$ 1,284	(62%)	$ 806	(39%)
Residential mortgages - uninsured	16,102	12,854	25%	14,420	12%
Construction loans	47,550	44,537	7%	45,319	5%
Total non-securitized impaired mortgages	64,142	58,675	9%	60,545	6%
Total securitized impaired mortgages	492	242	103%	264	86%
Total Stage 3	64,634	58,917	10%	60,809	6%
Total stage 2 and 3 mortgages	$ 476,385	$ 450,817	6%	$ 430,481	11%
Impaired non-securitized mortgage ratio [1]	2.34 %	2.31 %	0.03%	2.46 %	(0.12%)
Impaired total mortgage ratio [1]	1.25 %	1.20 %	0.05%	1.25 %	—%
Allowance for credit losses					
Non-securitized					
Allowance on performing mortgages	$ 9,320	$ 8,996	4%	$ 7,250	29%
Allowance on impaired mortgages	8,646	7,113	22%	5,952	45%
Total non-securitized allowance for credit losses	17,966	16,109	12%	13,202	36%
Total securitized allowance for credit losses	—	—	n/a	—	n/a
Total allowance for credit losses	$ 17,966	$ 16,109	12%	$ 13,202	36%

[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 64.0% at June 30, 2025 based on an industry index of current real estate values. With respect to our construction loan portfolio, we have a strong track record with our default management processes and asset recovery programs as the need arises. The impaired ratios, as presented above, reflect impaired (stage 3) mortgages under IFRS 9 as a percentage of the non-securitized or total mortgage portfolios, as applicable. At June 30, 2025, impaired mortgages are mainly five construction mortgages as well as uninsured residential mortgages where asset recovery programs have been initiated or we expect the loans to be brought current. We monitor the delinquency and impairment status of our loans and takes appropriate steps with our borrowers to ensure an optimal resolution. Our realized loan losses on our construction portfolio have been negligible.

In the event of a protracted economic downturn due to the current geopolitical conflicts, or for any other reason, we would expect to observe an increase in overall mortgage default and arrears rates as realization periods on collateral become longer and borrowers adjust to the new economic conditions and potentially changing real estate values in such an event. An economic downturn could also result in an increase in our allowance for credit losses. MCAN utilizes a number of risk assessment and mitigation strategies to lessen the potential impact for loss on residential mortgages; however, traditional actions may not be available or effective.

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

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

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

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

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

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

Table 20: Residential Mortgages by Province at June 30, 2025

(in thousands except %)	Non-securitized						Securitized			
	Insured	%	Uninsured	%	HELOCs	%	Insured	%	Total	%
Ontario	$ 215,024	78.3 %	$1,099,366	85.5 %	$ 75	87.2 %	$1,986,287	81.8 %	$ 3,300,752	82.8 %
Alberta	36,934	13.5 %	62,948	4.9 %	11	12.8 %	276,623	11.4 %	376,516	9.4 %
British Columbia	7,270	2.6 %	106,034	8.3 %	—	— %	66,719	2.7 %	180,023	4.5 %
Quebec	3,450	1.3 %	1,142	0.1 %	—	— %	4,203	0.2 %	8,795	0.2 %
Atlantic Provinces	4,920	1.8 %	6,174	0.5 %	—	— %	56,335	2.3 %	67,429	1.7 %
Other	6,823	2.5 %	9,315	0.7 %	—	— %	38,661	1.6 %	54,799	1.4 %
Total	**$ 274,421**	**100.0 %**	**$1,284,979**	**100.0 %**	**$ 86**	**100.0 %**	**$2,428,828**	**100.0 %**	**$ 3,988,314**	**100.0 %**

Table 21: Residential Mortgages by Province at December 31, 2024

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

Table 22: Residential Mortgages by Amortization Period at June 30, 2025

(in thousands except %)	Up to 20 Years	>20 to 25 Years	>25 to 30 Years	>30 to 35 Years	Total
Non-securitized	$ 267,901	$ 226,680	$ 561,746	$ 503,159	$ 1,559,486
	17.2 %	14.5 %	36.0 %	32.3 %	100.0 %
Securitized	$ 839,285	$ 1,509,005	$ 80,538	$ —	$ 2,428,828
	34.6 %	62.1 %	3.3 %	— %	100.0 %
Total	**$ 1,107,186**	**$ 1,735,685**	**$ 642,284**	**$ 503,159**	**$ 3,988,314**
	27.8 %	**43.5 %**	**16.1 %**	**12.6 %**	**100.0 %**

Table 23: Residential Mortgages by Amortization Period at December 31, 2024

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

Table 24: Average LTV Ratio for Uninsured Residential Mortgage Originations

(in thousands except %) **For the Periods Ended**	Q2 2025	Average LTV	Q2 2024	Average LTV	YTD 2025	Average LTV	YTD 2024	Average LTV
Ontario	$120,387	68.2%	$ 97,330	69.3%	$204,539	69.0%	$174,981	69.4%
Alberta	11,871	75.0%	22,522	65.2%	15,398	74.5%	24,302	66.2%
British Columbia	8,404	65.5%	50,724	65.4%	33,524	54.8%	56,347	65.5%
Other	2,817	71.9%	3,202	73.2%	4,585	73.8%	3,682	71.7%
	$143,479	**68.7%**	**$173,778**	**67.7%**	**$258,046**	**67.6%**	**$259,312**	**68.3%**

Table 25: Average LTV Ratios at Origination by Mortgage Portfolio

	June 30 2025	December 31 2024
Non-securitized mortgage portfolio		
Residential mortgages		
Insured	71.5 %	67.8 %
Uninsured[1]	68.0 %	67.7 %
Uninsured - completed inventory[1]	61.1 %	65.1 %
Construction loans		
Residential	61.0 %	61.9 %
Non-residential	58.9 %	60.2 %
Commercial loans		
Multi-family residential	— %	82.4 %
	65.0 %	65.1 %
Securitized mortgage portfolio	79.8 %	79.9 %
	71.9 %	**72.4 %**

[1] *MCAN's non-securitized uninsured residential mortgage portfolio (including completed inventory loans) is secured with a weighted average LTV at origination of 67.4% at June 30, 2025 (December 31, 2024 - 68.7%). Based on an industry index that incorporates current real estate values, the ratios would be 64.0% at June 30, 2025 (December 31, 2024 - 63.7%).*

Other Non-securitized Assets

Cash and Cash Equivalents

At June 30, 2025, our cash balance was $135 million (March 31, 2025 - $114 million; December 31, 2024 - $62 million). As part of liquidity management, we align our liquidity position to our liquidity and funding requirements. Cash and cash equivalents, which include cash balances with banks and overnight term deposits, provide liquidity to meet maturing term deposits and new mortgage funding commitments. We actively manage our cash and cash equivalents in the context of our prudent liquidity and cash management practices. See "Liquidity and Funding Risk" sub-section of this MD&A.

Marketable Securities

Marketable securities, consisting of REITs and Government of Canada bonds, provide additional liquidity at yields in excess of cash and cash equivalents. We actively manage our portfolio, as appropriate. At June 30, 2025, the portfolio balance was $58 million (March 31, 2025 - $62 million; December 31, 2024 - $66 million). In Q2 2025, we sold $6.0 million of REITs for a realized gain of $0.9 million. We continue to realize the benefits of regular cash flows and distributions from these investments.

Non-Marketable Securities

At June 30, 2025, our non-marketable securities balance was $122 million (March 31, 2025 - $122 million; December 31, 2024 - $117 million). The movement to our security balance from the beginning of the year mainly relates to funding of capital advances and a $2 million net 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. 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 $55 million in remaining capital advances for non-marketable securities expected to fund mainly over the next five years. Some of the real estate funds that we are invested in, have been slower to deploy committed capital than initially expected as finding the right opportunities in the current market environment takes more time.

For further information, refer to Note 7 to the interim consolidated financial statements.

Equity Investment in MCAP

We have a strategic investment in MCAP, which is Canada's largest independent mortgage finance company serving many institutional investors and over 400,000 homeowners. We hold a 13.89% equity interest in MCAP (March 31, 2025 - 13.89%; December 31, 2024 - 13.88%), which represents 4.0 million units held by MCAN at June 30, 2025 (March 31, 2025 - 4.0 million; December 31, 2024 - 4.0 million) of the 28.8 million total outstanding MCAP partnership units (March 31, 2025 - 28.8 million; December 31, 2024 - 28.8 million). The investment had a net book value of $129 million at June 30, 2025 (March 31, 2025 - $123 million; December 31, 2024 - $122 million). The net book value is not indicative of the fair market value of our equity interest in MCAP.

During Q2 2025, we received $3.6 million of unitholder distributions from MCAP (Q1 2025 - $5.0 million; Q2 2024 - $5.1 million). For YTD 2025, we have received $8.7 million of unitholder distributions from MCAP (YTD 2024 - $8.5 million). As we account for this investment using the equity method, the receipt of distributions reduces the carrying value of the investment in MCAP.

Pursuant to the MCAP partnership agreement, the majority partner in MCAP has the right to acquire MCAN's entire partnership interest in MCAP at "fair market value", which would be determined by an independent valuator agreed upon by both parties. Any sale by MCAN of its units in MCAP pursuant to this majority partner right, could result in a taxable gain, which could be material.

Other Securitization Assets

Other securitization assets include cash held in trust, which represents securitized mortgage principal and interest collections from borrowers that are payable to MBS holders.

Liabilities and Shareholders' Equity

Table 26: Liabilities and Shareholders' Equity

(in thousands except %)	June 30 2025	March 31 2025	Change (%)	December 31 2024	Change (%)
Non-securitized Liabilities					
Term deposits	$ 2,388,861	$ 2,339,201	2%	$ 2,288,226	4%
Loans payable	258,365	113,934	127%	107	241,363%
Other liabilities	20,450	14,881	37%	36,807	(44%)
	2,667,676	**2,468,016**	**8%**	**2,325,140**	**15%**
Securitization Liabilities					
Financial liabilities from securitization	2,450,376	2,367,969	3%	2,423,236	1%
	2,450,376	**2,367,969**	**3%**	**2,423,236**	**1%**
	5,118,052	**4,835,985**	**6%**	**4,748,376**	**8%**
Shareholders' Equity					
Share capital	472,927	464,106	2%	456,683	4%
Contributed surplus	510	510	—%	510	—%
Retained earnings	148,296	144,259	3%	143,620	3%
Accumulated other comprehensive income	(846)	(1,510)	(44%)	(1,624)	(48%)
	620,887	**607,365**	**2%**	**599,189**	**4%**
	$ 5,738,939	**$ 5,443,350**	**5%**	**$ 5,347,565**	**7%**

Term Deposits

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

Loans Payable

We have a secured demand revolver facility from a Canadian Schedule I Chartered bank with a facility limit of $320 million until August 31, 2025, and then $220 million thereafter. 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 have a senior secured mortgage warehouse facility from a Canadian Schedule I Chartered bank with a facility limit of $120 million until August 31, 2025, and then $100 million thereafter. The facility is used to fund insured residential mortgages prior to securitization activities.

We have an agreement with MCAP Securities Limited Partnership, a wholly owned subsidiary of MCAP, to finance insured residential mortgages prior to securitization.

Financial Liabilities from Securitization

Financial liabilities from securitization relate to our participation in the market MBS and CMB programs, where we have sold MBS to third parties but have not derecognized the related mortgages from our balance sheet. For further information on the market MBS and CMB programs, refer to the "Financial Position" section of this MD&A.

Share Capital

Share capital activity may reflect new common shares issued through the DRIP, Executive Share Purchase Plan, special stock dividend and other share offerings and their related costs, as applicable. For further information, refer to the "Description of Capital Structure" section of this MD&A and Note 13 to the interim consolidated financial statements.

Retained Earnings

Retained earnings activity for Q2 2025 consists of net income of $20.2 million (Q1 2025 - $16.6 million; Q2 2024 - $19.7 million) less dividends of $16.2 million (Q1 2025 - $16.0 million; Q2 2024 - $14.8 million). Retained earnings activity for YTD 2025 consists of a net income of $36.8 million (YTD 2024 - $43.0 million) less dividends of $32.1 million (YTD 2024 - $28.7 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. For further information, refer to the “Derivatives and Hedging” sub-section of this MD&A and Note 11 to the interim consolidated financial statements.

CAPITAL MANAGEMENT

Our primary capital management objectives are to maintain sufficient capital for regulatory purposes and to earn acceptable and sustainable risk-weighted returns for our shareholders. Through our risk management and corporate governance framework, we assess current and projected asset growth, economic conditions, housing market activity, the interest rate environment and changes to credit quality to determine appropriate levels of capital. We expect to pay out all of MCAN’s non-consolidated taxable income over time through dividends subject to final review and declaration by the Board. Capital growth is achieved through retained earnings, the DRIP, Executive Share Purchase Plan, rights offerings, public share offerings and, if appropriate, stock dividends. Our capital management is primarily driven by the guidelines set out by the Tax Act and OSFI.

Income Tax Capital

As a MIC under the Tax Act, we are limited to an income tax liabilities to capital ratio of 5:1 (or an income tax assets to capital ratio of 6:1), based on our non-consolidated balance sheet in the MIC entity measured at its tax value. Securitization assets and liabilities (less accrued interest) are both excluded from the calculation of the income tax assets to capital ratio. We calculate our income tax capital in accordance with the Tax Act.

Table 27: Income Tax Capital

(in thousands except ratios)

	June 30 2025	December 31 2024
Income tax assets		
Consolidated assets	$ 5,738,939	$ 5,347,565
Adjustment for assets in subsidiaries	(99,812)	35,924
Non-consolidated assets in MIC entity	5,639,127	5,383,489
Add: mortgage allowances	10,184	7,844
Less: securitization assets [1]	(2,485,583)	(2,454,257)
Adjustments to equity investments in MCAP and subsidiaries	(66,915)	(69,378)
Other adjustments	(1,526)	313
	$ 3,095,287	$ 2,868,011
Income tax liabilities		
Consolidated liabilities	$ 5,118,052	$ 4,748,376
Adjustment for liabilities in subsidiaries	(148,554)	(10,040)
Non-consolidated liabilities in MIC entity	4,969,498	4,738,336
Less: securitization liabilities [1]	(2,445,038)	(2,418,059)
	$ 2,524,460	$ 2,320,277
Income tax capital	$ 570,827	$ 547,734
Income tax capital ratios		
Income tax assets to capital ratio	5.42	5.24
Income tax liabilities to capital ratio	4.42	4.24

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

Regulatory Capital

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

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

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

At June 30, 2025, we were in compliance with our internal target minimum CET 1, Tier 1 and Total Capital to risk weighted asset and leverage ratios. We maintain prudent capital planning practices to ensure that we are adequately capitalized and continue to satisfy minimum standards and internal targets.

Table 28: Regulatory Capital [3]

(in thousands except %)

	June 30 2025	December 31 2024
OSFI Regulatory Ratios		
Share capital	$ 472,927	$ 456,683
Contributed surplus	510	510
Retained earnings	148,296	143,620
Accumulated other comprehensive income	(846)	(1,624)
Deduction from equity investment in MCAP [1]	(66,826)	(62,346)
Common Equity Tier 1 and Tier 1 Capital (A)	554,061	536,843
Tier 2 Capital	9,320	7,250
Total Capital (D)	$ 563,381	$ 544,093
Total Exposure/Regulatory Assets		
Consolidated assets	$ 5,738,939	$ 5,347,565
Less: deduction for equity investment in MCAP [1]	(66,826)	(62,346)
Other adjustments [2]	5,247	8,472
Total On-Balance Sheet Exposures	5,677,360	5,293,691
Mortgages and non-marketable securities funding commitments	234,347	208,440
Letters of credit	22,523	22,147
Total Off-Balance Sheet Items	256,870	230,587
Total Exposure/Regulatory Assets (B)	$ 5,934,230	$ 5,524,278
Leverage ratio (A / B)	9.32 %	9.72 %
Risk-weighted assets (C)	$ 2,931,317	$ 2,822,418
Regulatory Capital Ratios		
Common Equity Tier 1 capital to risk-weighted assets ratio **(A / C)**	18.90 %	19.02 %
Tier 1 capital to risk-weighted assets ratio **(A / C)**	18.90 %	19.02 %
Total capital to risk-weighted assets ratio **(D / C)**	19.22 %	19.28 %

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

Table 29: Regulatory Risk-Weighted Assets [1]

(in thousands except %)	June 30, 2025			December 31, 2024		
	Amounts	Average Rate	Risk-Weighted Assets	Amounts	Average Rate	Risk-Weighted Assets
On-Balance Sheet Assets						
Cash and cash equivalents	$ 134,517	21 %	$ 27,953	$ 61,703	21 %	$ 12,654
Cash held in trust	62,156	20 %	12,431	47,249	20 %	9,450
Marketable securities	58,092	74 %	43,030	66,345	100 %	66,345
Mortgages - non-securitized	2,741,371	67 %	1,823,389	2,464,091	69 %	1,700,214
Mortgages - securitized	2,428,828	6 %	138,542	2,419,871	6 %	136,693
Non-marketable securities	121,569	157 %	191,225	117,428	162 %	190,120
Equity investment in MCAP Commercial LP	128,915	120 %	155,222	122,265	123 %	149,797
Deferred tax asset	1,172	100 %	1,172	1,430	100 %	1,430
Other assets	59,482	100 %	59,482	44,675	100 %	44,675
Derivative Financial Instruments	2,837	— %	—	2,508	— %	—
	5,738,939		2,452,446	5,347,565		2,311,378
Off-Balance Sheet Items						
Letters of credit	45,047	50 %	22,524	44,295	50 %	22,148
Commitments	585,868	31 %	183,019	521,100	45 %	234,666
Derivative Financial Instruments	648,111	6 %	35,653	793,439	3 %	24,288
			241,196			281,102
Charge for operational risk [2]			237,675			229,938
Risk-Weighted Assets			**$ 2,931,317**			**$ 2,822,418**

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

Other Capital Management Activity

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

RISK FACTORS

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

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

Liquidity and Funding Risk

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

On a daily basis, we monitor our liquidity position to ensure that the level of liquid assets held, together with our ability to raise new deposits and other funding sources, are sufficient to meet our commitments, deposit maturity obligations, and other financial obligations.

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

Stress testing is performed using multiple scenarios incorporating simultaneous impacts to the Company's funding sources and uses. MCAN's stress testing is designed to assess the viability of liquidity and funding channels, as well as contingency funding to remain within Board-approved liquidity risk limits. At June 30, 2025, the Company held sufficient funding and liquidity to meet all requirements under the stress test scenarios.

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

Asset-Liability Committee ("ALCO"), which is comprised of management, is accountable for liquidity management oversight. On a monthly basis, or more frequently as required, ALCO reviews the Company's funding and liquidity risk profile, including funding strategies, performance against established liquidity risk limits, stress testing and contingency funding plan status. Results of the monitoring of liquidity risk are reported to the Board and any exceptions or breach of key limits are immediately reported by ALCO to the Enterprise Risk Management and Compliance Committee ("ERM&CC"). At June 30, 2025, the Company was in full compliance with the LRMF, key liquidity risk limits and regulatory requirements.

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

The Company maintained a secured demand revolver facility to meet its short-term obligations as required. Under the facility, there is a sublimit for issued letters of credit, which may be used to support the obligations of borrowers to municipalities in conjunction with construction loans. The facility limit is $320 million until August 31, 2025, and then $220 million thereafter.

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 $120 million, until August 31, 2025, and then $100 million thereafter, senior secured mortgage warehouse facility. The facility is used to fund insured residential mortgages prior to securitization activities. This facility provides improved funding in response to our continued growth.

We have an agreement with MSLP, a wholly owned subsidiary of MCAP, whereby the Company can sell to MSLP insured residential mortgage commitments. This agreement provides liquidity and the opportunity to fund other core business activities in line with our strategy. We have an agreement with MSLP to finance insured residential mortgages prior to securitization.

Our sources and uses of liquidity are outlined in the table below. For information on our off-balance sheet commitments refer to the "Off-Balance Sheet Arrangements" section of this MD&A.

Table 30: Liquidity Analysis

At June 30, 2025 (in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Sources of liquidity						
Cash and cash equivalents	$ 134,517	$ —	$ —	$ —	$ —	$ 134,517
Marketable securities	58,092	—	—	—	—	58,092
Mortgages - non-securitized	768,404	1,110,616	683,259	102,551	76,541	2,741,371
Non-marketable securities	—	—	—	—	121,569	121,569
Other loans	11,561	—	—	—	—	11,561
	972,574	1,110,616	683,259	102,551	198,110	3,067,110
Uses of liquidity						
Term deposits	328,870	915,514	753,326	391,151	—	2,388,861
Loans payable	258,365	—	—	—	—	258,365
Other liabilities	12,251	52	823	1,051	6,273	20,450
	599,486	915,566	754,149	392,202	6,273	2,667,676
Net liquidity surplus (deficit)	**$ 373,088**	**$ 195,050**	**$ (70,890)**	**$ (289,651)**	**$ 191,837**	**$ 399,434**

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 June 30, 2025, there have been no indications at the portfolio level of potential loss of principal in excess of the allowances for credit losses recorded for mortgages in stage 1 and 2. These collective allowances are based on forward-looking economic assumptions and other factors discussed in Note 5 to the interim consolidated financial statements.

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

Interest Rate Risk

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

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

An immediate and sustained parallel 1% increase to market interest rates on interest-bearing financial instruments at June 30, 2025 would have an estimated adverse effect of $2.4 million (March 31, 2025 - adverse effect of $0.2 million; December 31, 2024 - positive effect of $1.2 million) to net income over the following twelve month period. An immediate and sustained parallel 1% decrease to market interest rates at June 30, 2025 would have an estimated positive effect of $4.0 million (March 31, 2025 - positive effect of $1.2 million; December 31, 2024 - adverse effect of $0.3 million) to net income over the following twelve month period.

The following tables present the assets and liabilities of the Company by interest rate sensitivity at June 30, 2025 and December 31, 2024 and do not incorporate mortgage and loan prepayments. This analysis is subject to significant change in subsequent periods based on changes in customer preferences and in the application of asset/liability management policies. Floating rate assets and liabilities are immediately sensitive to changing interest rates while other assets are sensitive to changing interest rates periodically, either as they mature or as contractual repricing events occur. Non-interest sensitive items include marketable securities, equity investment in MCAP and other assets and liabilities. Yield spread represents the difference between the weighted average interest rate of the assets and liabilities in a certain category.

Table 31: Interest Rate Sensitivity at June 30, 2025

At June 30, 2025 (in thousands except %)	Floating Rate	Within 3 Months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Non Interest Sensitive	Total
Assets								
Non-securitized	$1,455,502	$196,520	$635,754	$446,934	$ 96,974	$ 65,103	$ 325,410	$ 3,222,197
Securitization	226,072	132,829	483,774	867,305	718,848	—	87,914	2,516,742
	1,681,574	329,349	1,119,528	1,314,239	815,822	65,103	413,324	5,738,939
Liabilities								
Non-securitized	258,365	328,870	915,514	753,326	391,151	—	20,450	2,667,676
Securitization	225,410	96,617	483,085	991,502	653,762	—	—	2,450,376
	483,775	425,487	1,398,599	1,744,828	1,044,913	—	20,450	5,118,052
Shareholders' Equity	—	—	—	—	—	—	620,887	620,887
GAP	**$1,197,799**	**$(96,138)**	**$(279,071)**	**$(430,589)**	**$(229,091)**	**$ 65,103**	**$ (228,013)**	**$ —**
YIELD SPREAD	**2.37 %**	**1.69 %**	**1.29 %**	**1.08 %**	**0.79 %**	**3.91 %**		

Table 32: Interest Rate Sensitivity at December 31, 2024

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

Market Risk

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

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of common shares with no par value. These common shares are the only voting securities of MCAN. At June 30, 2025, there were 39,604,190 common shares outstanding (March 31, 2025 - 39,127,657; December 31, 2024 - 38,717,004). At August 6, 2025, there were 39,650,589 common shares outstanding.

We issued $2.5 million in new common shares in Q2 2025 (Q2 2024 - $4.4 million) and $7.0 million YTD 2025 (YTD 2024 - $12.5 million) under the DRIP, which has historically provided MCAN with a reliable source of new capital and existing shareholders an opportunity to acquire additional shares at a discount to market value. Under the DRIP, dividends paid to shareholders are automatically reinvested in common shares issued out of treasury at the weighted average trading price for the five days preceding such issue less a discount of 2% until further notice from MCAN. The DRIP participation rate for the 2025 second quarter dividend was 15% (2025 first quarter - 15%; 2024 second quarter - 30%).

We have a Base Shelf prospectus allowing us to make certain public offerings of debt or equity securities during the period that it is effective, through Prospectus Supplements. Our Base Shelf prospectus and our Prospectus Supplement for our ATM Program expire in September 2025 and we intend to renew both.

- 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 Q2 2025, we sold 305,700 common shares at a weighted average price of $19.37 for gross proceeds of $5.9 million and net proceeds of $5.6 million including $0.1 million of agent commission paid and $0.2 million of other share issuance costs under the ATM Program. So far in 2025, we sold 366,900 common shares at a weighted average price of $19.19 for gross proceeds of $7.0 million and net proceeds of $6.7 million including $0.1 million of agent commission paid and $0.2 million of other share issuance costs under the ATM Program. At June 30, 2025, we have $13.9 million remaining available to be issued through our ATM Program. The volume and timing of distributions under the ATM Program are determined at MCAN's sole discretion.

For additional information related to share capital, refer to Note 13 to the interim consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

Table 33: Contractual Commitments

At June 30, 2025 (in thousands)	Within 3 months	> 3 Months to 1 Year	> 1 to 3 Years	> 3 to 5 Years	> 5 Years	Total
Mortgage funding commitments	$ 367,184	$ 114,047	$ 20,910	$ —	$ —	$ 502,141
Commitment - TAS Co	—	1,599	—	—	—	1,599
Commitment - TAS 4	—	1,226	5,497	3,926	—	10,649
Commitment - Harbour	2,000	1,500	1,000	—	—	4,500
Commitment - KSSMF	1,200	5,300	—	—	—	6,500
Commitment - Pearl	—	583	—	—	—	583
Commitment - Crown	—	7,276	—	—	—	7,276
Commitment - Fiera	—	1,298	1,325	1,325	1,500	5,448
Commitment - Broccolini	—	5,028	10,300	2,000	1,000	18,328
Commitment - KSHYF	—	—	—	—	28,844	28,844
	$ 370,384	**$ 137,857**	**$ 39,032**	**$ 7,251**	**$ 31,344**	**$ 585,868**

We retain mortgage servicing obligations relating to securitized insured multi-family mortgages where balance sheet derecognition has been achieved. At June 30, 2025, these derecognized securitized insured multi-family mortgages totalled $565 million. For further information on our securitization activities, refer to Note 9 to the interim consolidated financial statements.

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

DIVIDENDS

On August 6, 2025, the Board declared a regular quarterly cash dividend of $0.41 per share to be paid on September 29, 2025 to shareholders of record as at September 15, 2025.

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

TRANSACTIONS WITH RELATED PARTIES

Related party transactions for the quarters ended June 30, 2025 and June 30, 2024 and related party balances at June 30, 2025 and December 31, 2024 are discussed in Notes 8 and 16 to the interim consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At June 30, 2025, the Chief Executive Officer and Chief Financial Officer of MCAN, with the assistance of the Company’s Disclosure Committee comprised of members of management, have designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to MCAN is made known to the Chief Executive Officer and Chief Financial Officer and (ii) information required to be disclosed by us in reports we file or submit is recorded, processed, summarized and reported within the time periods specified in securities legislation, and have designed Internal Controls over Financial Reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

There were no changes in our ICFR during the interim period ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, our control framework.

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

Table 34: Net Non-securitized Mortgage Spread Income

(in thousands) **For the Periods Ended June 30**	**Q2 2025**	**Q2 2024**	**Change ($)**	**YTD 2025**	**YTD 2024**	**Change ($)**
Mortgage interest - non-securitized assets	$ 46,882	$ 48,422		$ 92,030	$ 96,430	
Term deposit interest and expenses	25,502	27,526		50,384	53,596	
Net Non-securitized Mortgage Spread Income	**$ 21,380**	**$ 20,896**	**$ 484**	**$ 41,646**	**$ 42,834**	**$ (1,188)**

Securitized Mortgage Spread Income: Non-GAAP financial measure that is an indicator of net interest profitability of income-earning securitized assets less cost of securitized liabilities for our securitized mortgage portfolio. It is calculated as the difference between securitized mortgage interest and interest on financial liabilities from securitization as reported on the interim consolidated statements of income. Calculations can also be found in Table 7 of this MD&A.

Table 35: Net Securitized Mortgage Spread Income

(in thousands) **For the Periods Ended June 30**	**Q2 2025**	**Q2 2024**	**Change ($)**	**YTD 2025**	**YTD 2024**	**Change ($)**
Mortgage interest - securitized assets	$ 18,960	$ 14,695		$ 37,702	$ 28,035	
Interest on financial liabilities from securitization	16,276	12,493		32,312	23,680	
Net Securitized Mortgage Spread Income	**$ 2,684**	**$ 2,202**	**$ 482**	**$ 5,390**	**$ 4,355**	**$ 1,035**

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

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

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

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

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

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

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

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

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

Assets under Management: Supplementary financial measure that is defined as total on-balance sheet assets and assets derecognized but still managed by MCAN, including multi-family securitizations and residential mortgage commitments sold.

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

GLOSSARY

CET 1, Tier 1, Tier 2 and Total Capital, Total Exposures, Regulatory Assets, Leverage Ratio and Risk-Weighted Asset Ratios: These measures are calculated in accordance with OSFI's Capital Adequacy Requirements and Leverage Requirements guidelines.

Income Tax Capital Measures: Income tax assets, income tax liabilities and income tax capital represent assets, liabilities and capital as calculated on a non-consolidated basis using the provisions of the Tax Act applicable to a MIC. The calculation of the income tax assets to capital ratio and income tax liabilities to capital ratio are based on these amounts.

Market Capitalization: Market capitalization is calculated as the number of common shares outstanding multiplied by the closing common share price as of that date.