

**Stock market symbol
TSX: MKP**

MCAN MORTGAGE CORPORATION ANNOUNCES 32% INCREASE IN FIRST QUARTER EARNINGS AND 7% INCREASE TO QUARTERLY DIVIDEND

Toronto, Ontario – May 9, 2017. MCAN Mortgage Corporation (“MCAN”, the “Company” or “we”) reported a 32% increase in Q1 2017 net income of \$10.3 million, up from \$7.8 million in Q1 2016. Earnings per share increased 29% to \$0.44 in Q1 2017 from \$0.34 in Q1 2016.

Highlights

Net Income

- Net income was \$10.3 million in Q1 2017, an increase of \$2.5 million (32%) from \$7.8 million in Q1 2016. We earned significant income from financial investments and other loans in Q1 2017, offset by lower corporate mortgage interest and equity income from MCAP Commercial LP (“MCAP”).
- Earnings per share increased by \$0.10 (29%) to \$0.44 in Q1 2017 from \$0.34 in Q1 2016.
- Increase of 2.6% in return on average shareholders’ equity to 14.37% in Q1 2017 from 11.80% in Q1 2016.
- Gross distribution income of \$3.5 million realized from Crown LP financial investment in Q1 2017 (offset by a corresponding reduction to accumulated other comprehensive income).

Dividend

- The Board of Directors (the “Board”) declared a 7% increase to the quarterly dividend from \$0.30 per share to \$0.32 per share effective with the 2017 second quarter dividend to be paid June 30, 2017 to shareholders of record as of June 15, 2017.

Corporate Activity

- Corporate assets totalled \$1.13 billion at March 31, 2017, a net decrease of \$55 million from \$1.19 billion at December 31, 2016. This was comprised of decreases of \$43 million in mortgages and \$17 million in cash, and an increase of \$4 million in marketable securities.
- The corporate mortgage portfolio decreased during Q1 2017 to \$861 million from \$904 million, comprised of decreases of \$29 million in insured single family, \$19 million in uninsured single family and \$15 million in commercial, partially offset by increases of \$11 million in construction and \$9 million in completed inventory loans.
- Increase of \$2 million in Q1 2017 in our higher-yielding corporate non-mortgage investments, consisting of marketable securities, our equity investment in MCAP and financial investments.
- We recorded a \$785,000 gain on the partial sale of our investment in MCAP. Our equity interest in MCAP was reduced from 14.74% to 14.35% during Q1 2017 as a result of this sale and the issuance of new partnership units in MCAP.

Securitization Activity

- We securitized \$48 million of insured single family mortgages in Q1 2017, primarily through the CMB program. We did not earn any income on these securitization transactions as a result of reduced spreads in the securitization market and interest rate volatility during Q1 2017.

Credit Quality

- Total mortgage arrears increased to \$48 million from \$27 million during Q1 2017. The increase was primarily due to two Saskatchewan-based loans totalling \$19 million going into arrears during the quarter, for which the borrower has filed for protection under the Companies' Creditors Arrangement Act ("CCAA"). Both properties have been listed for sale. We do not expect to incur a loss on either loan as a result of the value of the underlying collateral, and have therefore not recorded individual allowances. Uninsured single family arrears increased to \$11.7 million from \$8.9 million during Q1 2017, while the remaining arrears balances relate to insured single family mortgages.
- Impaired mortgages increased to \$6.0 million from \$4.5 million during Q1 2017
- The impaired total mortgage ratio increased to 0.19% from 0.14% during Q1 2017.
- The impaired corporate mortgage ratio increased to 0.44% from 0.31% during Q1 2017.
- Net write-offs were 11.9 basis points of the average corporate portfolio in Q1 2017, increased from 3.5 basis points in Q1 2016. The Q1 2017 amount includes 9.7 bps related to the write-off of capitalized legal fees on a construction loan for which an individual allowance had already been recorded, therefore there was no impact to net income. The remaining balance relates to uninsured single family write-offs.
- The average loan to value ratio ("LTV") of our uninsured single family portfolio based on an industry index of current real estate values was 56.5% at March 31, 2017, unchanged from 56.5% at December 31, 2016.

Capital

- Our Common Equity Tier 1, Tier 1 and Total Capital to risk-weighted assets ratios were 22.43% on the transitional basis and 22.23% on the "all-in" basis at March 31, 2017 compared to 22.98% and 22.55%, respectively, at December 31, 2016.
- Our leverage ratio was 10.87% at March 31, 2017 compared to 10.46% at December 31, 2016.
- Income tax asset capacity was \$278 million at March 31, 2017 compared to \$209 million at December 31, 2016. This balance represents the additional amount of corporate assets in which we could invest within the rules of the *Income Tax Act (Canada)* (the "Tax Act").

Outlook

Market conditions

The Bank of Canada forecast for 2017 Canadian GDP growth is 2.5%, an increase over actual 1.9% growth in Q4 2016. The relatively low levels of expected economic growth continue to lessen the probability of increased interest rates for 2017. The Federal Reserve has increased the discount rate and indicated that further increases are likely in 2017, which has produced an increase in U.S. bond yields and also impacted the interest rate market in Canada. We expect housing markets to continue to benefit from historically low interest rates, but we also expect a slowdown in housing as a result of the impact of regulatory changes and new taxes recently announced in Ontario and announced last year in British Columbia.

Canadian residential real estate markets continue to have mixed performances as regional markets adjust with local economic conditions. The Prairie Provinces continue to demonstrate weakness as oil prices below \$50 have a negative impact on employment. Other regional economies continue to benefit from the lower Canadian dollar which has helped to strengthen employment in the manufacturing sector. The Canadian dollar continues to trade at a discount to the U.S. dollar due to weak world-wide commodity prices, a stronger U.S. economy, higher U.S. interest rates and the potential for further U.S. rate increases.

We expect financial markets to experience increased volatility in 2017 with the U.S. potentially revisiting foreign trade policies. We have seen fluctuations in stock markets in reaction to announced policies that will impact U.S. trade. We expect to see increased volatility in international currencies as trade deals impact corporate strategies. In Canada, the impact of a weak oil sector and soft commodity prices continues to affect a significant portion of the stock market.

Ontario and British Columbia have continued to exhibit strong fundamentals and growth, with GDP growth driven by exports and immigration. In Alberta, housing markets have continued to slow as a result of lower oil prices and weakening employment. We continue to focus our origination in Ontario and British Columbia and monitor our exposure to Alberta. We are selective in our origination of new residential construction projects.

Real estate conditions

Canadian housing market conditions continue to be mixed. The Toronto housing market has experienced 31% price inflation year over year in March 2017. Price inflation in Toronto continues to be well in excess of levels supported by employment and income growth.

Vancouver has experienced a slowing of sales and price inflation following changes in mortgage underwriting rules and the 15% tax on non-resident real estate purchases enacted in mid-2016. The tax was intended to help restore housing affordability for residents in the Metro Vancouver Area by raising non-residents' cost of purchasing and, on the margin, discouraging foreign speculation. The greatest impact of this foreign buyer tax has been on homes selling above \$5 million.

While some of the price inflation in both Toronto and Vancouver is driven by low mortgage rates and lot supply shortages, we believe that price inflation at these high levels increases the risk of a price correction. We have been operating with more conservative underwriting and credit policies for uninsured mortgages (especially for self-employed applicants). We have also limited our originations in insured single family as a result of narrower spreads while we closely monitor both portfolios.

Regulatory Changes

On April 20, 2017 the Ontario government announced reforms to Ontario's rental and housing market in hopes of cooling the red-hot real estate market in Toronto and salvaging affordable rental options for residents. The Ontario government has put together a 16-point plan to address high home price inflation. Given the recency of the announcement, we are currently not able to determine the magnitude of the impact on MCAN. We will monitor housing and mortgage markets to quantify this impact.

Effective January 1, 2017, the Office of the Superintendent of Financial Institutions Canada ("OSFI") introduced new minimum capital adequacy requirements for mortgage insurers. These changes are expected to increase premiums on mortgage portfolio insurance paid by lenders which may impact rates charged to borrowers.

In late 2016, the Department of Finance announced new mortgage regulations.

The impact of these new regulations to date are as follows:

- Lower origination volumes of prime insured mortgages.
- Lower National Housing Act ("NHA") MBS issuance volumes, which has tightened NHA MBS spreads.
- No change to overall market CMB issuance levels.
- Mortgage funding costs through the NHA MBS program are now similar the CMB program. Historically mortgage funding costs through the CMB program have been lower than NHA MBS.
- Renewed interest in residential mortgage-backed securities ("RMBS") funding. Canadian banks have been exploring possible investor interest in RMBS. The collateral pool behind the securities would range from prime uninsurable mortgages to near prime uninsured mortgages.
- Stable to modest decline for insured mortgage rates due to increased competition amongst lenders.

We continue to evaluate the impact of regulatory changes to the market and MCAN. We believe that the effect of multiple legislative changes in a short time period will require a minimum of 6-12 months to begin providing clarity on the direction of the mortgage market in Canada.

Impact on MCAN

We will continue to monitor housing market developments as they evolve and will continue to ensure that our mortgage portfolio remains well positioned. Our corporate assets declined 4.6% during the quarter compared to our stated annual growth target of 10%. Given the noted discussion above relating to the markets, we believe there is higher uncertainty that this target will be attained in 2017. In 2017, we expect to continue to make adjustments to the composition of our balance sheet as we evaluate the risks and rewards of each of our product lines.

We believe that MCAN is well positioned to adapt to changes in mortgage and housing markets given that we, as a regulated financial institution, have access to both the insured securitization market as well as the term deposit funding market.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (“DRIP”) is a program that provides 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 5 days preceding such issue less a discount of 2%. For further information on how to enrol in the DRIP, please refer to the Management Information Circular dated March 10, 2017 or visit our website at www.mcanmortgage.com/investor-relations/investor-materials.

Non-IFRS Measures

The following metrics are considered to be Non-IFRS measures and are defined in the “Non-IFRS Measures” section of the MD&A: Return on Average Shareholders’ Equity, Taxable Income, Taxable Income Per Share, Average Interest Rate, Net Interest Income, Impaired Mortgage Ratios, Mortgage Arrears, Common Equity Tier 1, Tier 1 and Total Capital Ratios, Total Exposures, Regulatory Assets, Leverage Ratio, Assets to Capital Multiple; Risk Weighted Assets Ratios, Tier 1, Tier 2, Tier 3 and Total Liquid Assets and Liquidity Ratios, Income Tax Assets, Income Tax Liabilities, Income Tax Capital, Income Tax Assets to Capital Ratio, Income Tax Asset Capacity, Market Capitalization, Book Value per Common Share and Limited Partner’s At-Risk Amount.

Further Information

Complete copies of the Company's 2017 First Quarter Report will be filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the Company's website at www.mcanmortgage.com.

MCAN is a public company listed on the Toronto Stock Exchange ("TSX") under the symbol MKP and is a reporting issuer in all provinces and territories in Canada. MCAN also qualifies as a mortgage investment corporation ("MIC") under the Income Tax Act (Canada) (the "Tax Act").

The Company's primary objective is to generate a reliable stream of income by investing its corporate funds in a portfolio of mortgages (including single family residential, residential construction, non-residential construction and commercial loans), as well as other types of financial investments, loans and real estate investments. MCAN employs leverage by issuing term deposits eligible for Canada Deposit Insurance Corporation ("CDIC") deposit insurance up to a maximum of five times capital (on a non-consolidated tax basis in the MIC entity) as permitted by the Tax Act. The term deposits are sourced through a network of independent financial agents. As a MIC, MCAN is entitled to deduct from income for tax purposes 100% of dividends, except for capital gains dividends, which are deducted at 50%. Such dividends are received by the shareholders as interest income and capital gains dividends, respectively.

MCAN's wholly-owned subsidiary, Xceed, is an originator of residential first-charge mortgage products across Canada. As such, Xceed operates primarily in one industry segment through its sales team and mortgage brokers.

MCAN is also an NHA MBS issuer.

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A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

This press release contains “forward-looking statements” within the meaning of applicable Canadian securities laws. The words “may,” “believe,” “will,” “anticipate,” “expect,” “planned,” “estimate,” “project,” “future,” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Such statements reflect management’s current beliefs and are based on information currently available to management. The forward-looking statements in this press release include, among others, statements and assumptions with respect to:

- the current business environment and outlook;
- possible or assumed future results;
- ability to create shareholder value;
- business goals and strategy;
- the stability of home prices;
- effect of challenging conditions on us;
- factors affecting our competitive position within the housing markets;
- the price of oil and its impact on housing markets in Western Canada;
- sufficiency of our access to capital resources; and
- the timing of the effect of interest rate changes on our cash flows.

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

- the Company’s ability to successfully implement and realize on its business goals and strategy;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- government regulation of the Company’s business;
- computer failure or security breaches;
- future capital and funding requirements;
- the value of mortgage originations;
- the expected margin between interest earned on mortgage portfolios and interest paid on deposits;
- the relative continued health of real estate markets;
- acceptance of the Company’s products in the marketplace;
- availability of key personnel;
- the Company’s operating cost structure; and
- the current tax regime.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results to differ materially from the anticipated future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- global market activity;
- worldwide demand for and related impact on oil and other commodity prices;
- changes in government and economic policy;
- changes in general economic, real estate and other conditions;
- changes in interest rates;
- changes in CMB and MBS spreads and swap rates;
- MBS and mortgage prepayment rates;
- mortgage rate and availability changes;
- adverse legislation or regulation;

- availability of CMB and MBS issuer allocation;
- technology changes;
- confidence levels of consumers;
- ability to raise capital and term deposits on favourable terms;
- our debt and leverage;
- competitive conditions in the homebuilding industry, including product and pricing pressures;
- ability to retain our executive officers and other employees;
- litigation risk;
- relationships with our mortgage originators; and
- additional risks and uncertainties, many of which are beyond our control, referred to in this press release and our other public filings with the applicable Canadian regulatory authorities.

Subject to applicable securities law requirements, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports should be consulted.