MCAN MORTGAGE CORPORATION ANNOUNCES SECOND QUARTER RESULTS FOR 2019

Toronto, Ontario – August 7, 2019. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") (TSX: "MKP") reported net income of $8.9 million ($0.37 per share) for the second quarter ended June 30, 2019, a decrease of 20% from $11.1 million ($0.47 per share) in the second quarter of 2018. In the second quarter of 2019, we recorded a $1.0 million net realized and unrealized loss on securities compared to a $3.3 million net realized and unrealized gain in the second quarter of 2018. Year to date, we reported net income of $23.2 million ($0.97 per share), an increase of 7% from $21.7 million ($0.92 per share) for the same period in 2018.

Highlights

Financial Performance

Q2 2019

- Return on average shareholders' equity[1] of 11.27% in Q2 2019, a decrease of 3.27% from 14.54% in Q2 2018.
- Net corporate mortgage spread income decreased by $0.5 million from Q2 2018. The average corporate mortgage portfolio balance[1] increased to $1,003 million in Q2 2019 from $913 million in Q2 2018; this increase was more than offset by a reduction in net spread of corporate mortgages over term deposits[1] to 2.66% in Q2 2019 from 3.17% in Q2 2018.
- The decrease in net spread was largely due to an increase in the proportion of our corporate mortgage portfolio held in single family mortgages and an increase in the average term deposit interest rate during this period. Increases to the Bank of Canada overnight rate have led to a gradual increase in the interest rate on newly issued term deposits since mid-2018. These factors were partially offset by the increased yield on our primarily floating-rate construction loan portfolio as a result of the increases to the overnight rate.
- Equity income from MCAP Commercial LP ("MCAP") totalled $4.7 million in Q2 2019, an increase of $1.5 million (48%) from $3.2 million in Q2 2018, due to higher net interest income on securitized mortgages, servicing and administration revenue, mortgage origination fees and investment income earned.
- The Q2 2019 net realized and unrealized loss related primarily to our real estate investment trust ("REIT") portfolio, whereas Q2 2018 included net realized and unrealized gains of $2.0 million related to our investment in Crown Realty II Limited Partnership and $1.3 million related to our REIT portfolio. The net realized and unrealized loss in Q2 2019 negatively impacted earnings per share by $0.04, while the net realized and unrealized gain in Q2 2018 positively impacted earnings per share by $0.14.

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this press release.*

Year to Date 2019

- Return on average shareholders' equity[2] was 14.79% in 2019, an increase of 0.47% from 14.32% in 2018.
- Net corporate mortgage spread income decreased by $0.7 million from 2018. The average corporate mortgage portfolio balance[2] increased to $987 million in 2019 from $881 million in 2018; this increase was offset by a reduction in net spread of corporate mortgages over term deposits[2] to 2.70% in 2019 from 3.25% in 2018 due to the reasons noted above for Q2 2019.
- In Q1 2018, we recognized a $1.7 million gain on the sale of a portion of our partnership units in MCAP.
- Net realized and unrealized gain on securities of $7.0 million for 2019 year to date, primarily driven by our REIT portfolio, compared to a net realized and unrealized gain of $3.3 million in 2018 which was comprised of the Q2 2018 items noted above. The 2019 year to date net realized and unrealized gain positively impacted earnings per share by $0.29 while the net realized and unrealized gain in 2018 positively impacted earnings per share by $0.14.

[2] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this press release.*

Business Activity

- Corporate assets totalled $1.26 billion at June 30, 2019, an increase of $3 million (0.2%) from March 31, 2019 and $40 million (3%) from December 31, 2018.
- Corporate mortgage portfolio totalled $1.0 billion at June 30, 2019, an increase of $5 million (1%) from March 31, 2019 and $79 million (9%) from December 31, 2018.

- Uninsured single family portfolio totalled $345 million at June 30, 2019, an increase of $37 million (12%) from March 31, 2019 and $89 million (35%) from December 31, 2018.
- Uninsured single family originations were $56 million in Q2 2019, a decrease of $8 million (12%) from Q1 2019 and an increase of $31 million (123%) from Q2 2018.
- Insured single family originations were $57 million in Q2 2019, an increase of $19 million (49%) from Q1 2019 and $31 million (116%) from Q2 2018.
- Insured single family securitization volumes were $75 million in Q2 2019, an increase of $47 million (168%) from Q1 2019 and $29 million (63%) from Q2 2018.
- Construction and commercial portfolios totalled $524 million at June 30, 2019, a decrease of $20 million (4%) from March 31, 2019 and $24 million (4%) from December 31, 2018.

CEO Commentary

"We continued to gain momentum in our single family business this quarter," said Karen Weaver, President and Chief Executive Officer. "We believe that we are well positioned to adapt to business opportunities and challenges in 2019, having sound capital and liquidity positions, high quality assets, strong business partnerships and a talented and committed team."

Dividend

- The Board of Directors declared a third quarter dividend of $0.32 per share on August 7, 2019 to be paid September 30, 2019 to shareholders of record as of September 13, 2019.

Credit Quality

- The impaired corporate mortgage ratio[3] was 0.27% at June 30, 2019 compared to 0.30% at March 31, 2019 and 0.34% at December 31, 2018.
- The impaired total mortgage ratio[3] was 0.19% at June 30, 2019 compared to 0.24% at March 31, 2019 and 0.27% at December 31, 2018.
- Total mortgage arrears[3] were $15 million at June 30, 2019 compared to $19 million at March 31, 2019 and $16 million at December 31, 2018.
- Net write-offs were $18,000 (less than 1 basis point) of the average corporate portfolio in Q2 2019 compared to $243,000 (11 basis points) in Q2 2018.
- Average loan to value ratio ("LTV") of our uninsured single family portfolio based on an industry index of current real estate values was 65.6% at June 30, 2019 compared to 65.0% at March 31, 2019 and 63.8% at December 31, 2018.

[3] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this press release.*

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 the Office of the Superintendent of Financial Institutions ("OSFI").
- Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital to risk-weighted assets ratios[4] were 22.40% at June 30, 2019 compared to 22.09% at March 31, 2019 and 21.66% at December 31, 2018.
- The leverage ratio[4] was 12.16% at June 30, 2019 compared to 12.05% at March 31, 2019 and 11.79% at December 31, 2018.
- The income tax assets to capital ratio[4] was 4.71 at June 30, 2019 compared to 4.69 at March 31, 2019 and 4.64 at December 31, 2018.
- We issued 88,914 new common shares through the Dividend Reinvestment Program ("DRIP") in Q2 2019 compared to 92,669 in Q2 2018. The DRIP participation rate was 18% for the 2019 second quarter dividend (2018 second quarter - 19%).

[4] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this press release.*

Outlook

Market Outlook

The Bank of Canada's most recent forecast for GDP growth for 2019 is 1.3%. Canadian job growth is steady and unemployment at June 30, 2019 was 5.5% after hitting a 44 year low in May 2019 at 5.4%. There are regional differences in jobs and unemployment, but the Canadian economy is currently substantially operating near capacity. The interest rate outlook is for no change for the second half of 2019, a significant reversal from prior forecasts of potentially three increases in 2019.

Housing market sales volumes appear to have stabilized after cooling in the first quarter of 2019 and there is speculation that markets might have plateaued. Regional differences in our markets show average price declines in Vancouver and Calgary and average price increases in Toronto. In most major markets, housing shortages will continue to drive demand for residential construction over the long term.

Canadian real estate markets continue to be impacted by the revised OSFI Guideline B-20, *Residential Mortgage Underwriting Practices and Procedures* ("OSFI Guideline B-20"), specifically the stress test. This is expected to continue even though the base rate used in the stress test, as published by the Bank of Canada, was reduced by 0.25% in July 2019. Legislation proposed by the Government of Canada in its March 2019 Federal Budget is not expected to have a significant impact on the broader housing market. The mortgage market continues to be extremely competitive as lenders adjust their strategies in conjunction with legislation. As a result, the spreads we expect to attain in the market will continue to be low by our historical standards.

Housing affordability also continues to contribute to market uncertainty as Canadian household indebtedness remains high. Positive developments in the labour market, population growth and continued demand for housing have moderated the impact of the factors restraining the housing market, to some extent, as discussed above. If an interruption is experienced in relation to current population growth trends, employment or actual economic conditions outside of current expectations, we would expect market conditions to deteriorate.

Business Outlook

We will continue to ensure that our mortgage portfolio remains well positioned amidst a mixed market outlook. Profitable long-term success in growing our uninsured single family mortgage portfolio is driven by the continued development of our sales and marketing programs, strengthening our relationships with the mortgage broker community and improving our internal underwriting platform efficiency. Collectively, these initiatives will allow us to target originations toward our desired markets and borrowers, as defined by our risk appetite, and will further improve efficiencies and our ability to grow profitability.

We believe that our current pipeline and business activities will continue to support growth in our uninsured originations during 2019, although at spreads lower than our historical levels. During the first half of 2019, we realized improved yields in our single family business, however, we expect that this improvement will have a marginal earnings impact in 2019. Currently, there is intense competition in the single family mortgage market that is placing downward pressure on yields, primarily in insured single family mortgages.

In our construction and commercial business, we expect spread compression as competition from other lenders increases. Notwithstanding, we expect this portfolio to grow in the second half of the year.

We will continue to focus on increasing our originations and securitizations of insured single family and multi family mortgages leveraging our internal capabilities and our strategic partnerships. These activities provide incremental earnings to MCAN over the term of the securitized portfolio and at maturity.

We will focus on continuous improvement in our operating platform throughout the balance of the year and into 2020 to ensure that our business model meets all strategic, operational and regulatory objectives over the long term. We believe that our pragmatic and focused approach to lending, articulated risk appetite and expertise in loan management will allow us to effectively grow our business and optimize opportunities. We will continue to monitor market trends, adjust the composition of our balance sheet and utilize our chosen business model as we adapt to changing market dynamics and execute our business plan. Our targeted annual growth in corporate assets over the long term is 10%, within our risk appetite. Our current 2019 corporate asset growth outlook continues to be in the range of 5-8%.

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

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("DRIP") is a program that 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 5 days preceding such issue less a discount of 2% until further notice from MCAN. For further information on how to enrol in the DRIP, please refer to the Management Information Circular dated March 15, 2019 or visit our website at www.mcanmortgage.com/investors/regulatory-filings/.

Non-IFRS Measures

The following metrics are considered to be Non-IFRS measures and are defined in the "Non-IFRS Measures" section of the 2019 second quarter 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.

Effective January 1, 2019, we revised the impaired mortgage ratios to include insured mortgages in the numerator such that the ratios are equal to impaired mortgages divided by portfolio balance. Prior period ratios have been restated.

Further Information

Complete copies of the Company's Q2 2019 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 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 Tax Act.

The Company's primary objective is to generate a reliable stream of income by investing its corporate funds in a diversified portfolio of Canadian mortgages, including single family residential, residential construction, non-residential construction and commercial loans, as well as other types of securities, loans and real estate investments. MCAN employs leverage by issuing term deposits eligible for Canada Deposit Insurance Corporation deposit insurance. We manage our capital and asset balances based on the regulations and limits of both the Tax Act and the Office of the Superintendent of Financial Institutions. The term deposits are sourced through a network of independent financial agents.

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.

MCAN's wholly-owned subsidiary, XMC Mortgage Corporation, is an originator of single family residential mortgage products across Canada.

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A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

This press release contains forward-looking information within the meaning of applicable Canadian securities laws. All information contained in this press release, other than statements of current and historical fact, is forward-looking information. All of the forward-looking information in this press release 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 press release includes, among others, statements and assumptions with respect to:

- the current business environment and outlook;
- possible or assumed future results;
- our ability to create shareholder value;
- our business goals and strategy;
- the potential impact of new regulations and changes to existing regulations;
- the stability of home prices;
- the effect of challenging conditions on us;
- 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.

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 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:

- our ability to successfully implement and realize on our business goals and strategy;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- government regulation of our business;
- computer failure or security breaches;
- the availability of funding and capital to meet our requirements;
- 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;
- 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;
- availability of key personnel;
- our 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 and trade policies;
- 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 Canada Mortgage Bonds ("CMB") and mortgage-backed securities ("MBS") spreads and swap rates;
- MBS and mortgage prepayment rates;
- mortgage rate and availability changes;

- adverse legislation or regulation, including recent changes implemented by OSFI and the potential for higher capital and liquidity requirements for real estate lending;
- availability of CMB and MBS issuer allocation;
- technology changes;
- confidence levels of consumers;
- our 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;
- our ability to retain our executive officers and other employees;
- the success of the business underlying our investment in MCAP, marketable securities and non-marketable securities;
- litigation risk;
- our ability to respond to and reposition ourselves within a changing market;
- our relationships with our mortgage originators;
- additional risks and uncertainties, many of which are beyond our control, referred to in 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 press release 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.