# MCAN MORTGAGE CORPORATION ANNOUNCES STRONG Q1 2021 RESULTS AND DECLARES $0.34 CASH DIVIDEND PER SHARE

**Toronto, Ontario - May 11, 2021**. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") (TSX: "MKP") reported strong net income for the first quarter ended March 31, 2021 of $15.9 million ($0.64 earnings per share) compared to a net loss of $9.7 million ($0.40 loss per share) for the same period in the prior year. Results for the first quarter of 2021 were impacted by an increase in fair value gains on our marketable securities, increased equity income from MCAP and growth in our core business compared to the first quarter of 2020.

The Board of Directors (the "Board") declared a quarterly cash dividend of $0.34 per share to be paid June 30, 2021 to shareholders of record as of June 15, 2021.

"We continue to grow our mortgage portfolio through the pandemic in response to the housing and mortgage market dynamics which were fuelled by reduced interest rates and remote working," said Karen Weaver, President and Chief Executive Officer. "Our single family monthly mortgage originations were the highest in our history during the first quarter and ahead of expectations. I have to thank the entire team at MCAN for their hard work in executing our day-to-day business, serving our customers and driving our growth. To provide funding for additional growth of our business, we announced a share rights offering to our shareholders of record at the close of business on May 12, 2021. Lastly, I want to thank two Board members who are not standing for re-election - Ian Sutherland and Loraine McIntosh. Ian Sutherland, Founder and a Board or management member during the past 30 years, has provided oversight and guidance which has contributed significantly to the growth and development of MCAN. Loraine McIntosh has been an important partner to the executive team in her years serving on the Board. We wish you well in your future endeavors."

**Highlights**

- Corporate assets totalled $1.61 billion at March 31, 2021, an increase of $53 million (3%) from December 31, 2020.
- Uninsured single family originations totalled $105 million in Q1 2021, an increase of $53 million (101%) from Q1 2020.
- Insured single family originations totalled $210 million in Q1 2021, an increase of $110 million (111%) from Q1 2020.
- Insured single family securitizations totalled $228 million in Q1 2021, an increase of $148 million (184%) from Q1 2020.
- Securitized mortgages totalled $1.33 billion at March 31, 2021, an increase of $191 million (17%) from December 31, 2020.
- Construction and commercial originations totalled $121 million in Q1 2021, an increase of $31 million (34%) from Q1 2020.

**Financial Update**

- Net corporate mortgage spread income[1] increased by $0.9 million in Q1 2021 compared to Q1 2020 due to a higher average corporate mortgage portfolio balance[1] and an increase in the spread of corporate mortgages over term deposit interest[1].
- Net securitized mortgage spread income[1] increased by $1.2 million in Q1 2021 compared to Q1 2020 due to a higher average securitized mortgage portfolio balance[1] from significantly higher originations of insured single family mortgages and an increase in the spread of securitized mortgages over liabilities[1].
- Our provision for credit losses on our corporate mortgage portfolio decreased by $1.5 million from Q1 2020 due to refinements in model parameters to reflect our policies and business practices in our commercial and construction portfolio and improved economic forecasts, partially offset by growth in the corporate mortgage portfolio balance compared to Q1 2020. Compared to Q4 2020, our provision for credit losses on our corporate mortgage portfolio increased by $0.3 million mainly due to a higher corporate mortgage portfolio balance.
- Equity income from MCAP Commercial LP ("MCAP") increased by $3.3 million in Q1 2021 compared to Q1 2020. This increase was mainly due to higher assets under management, increased volumes across all lines of business, which contributed to higher mortgage related income on the sale and securitization of these mortgages, higher net interest income on securitized mortgages, and financial instrument gains compared to financial instrument losses in Q1 2020. We expect that MCAP will continue to have strong earnings, however, more normal market and business dynamics will continue through the remainder of 2021 compared to 2020.
- In Q1 2021, we recorded a $3.9 million net gain on securities compared to a $15.7 million net loss on securities in Q1 2020. Activity in Q1 2021 related to fair value gains on our real estate investment trust ("REIT") portfolio and in Q1 2020 related to fair value losses on our REIT portfolio due to the onset of the pandemic. We may continue to see volatility in the market value of our REIT portfolio given the recent third wave and uncertainty around the vaccine rollout.
- Return on average shareholders' equity[1] was 18.15% in Q1 2021, an increase from (11.84)% in Q1 2020.

**Credit Quality**

- The impaired corporate mortgage ratio[1] was 1.10% at March 31, 2021 compared to 0.30% at December 31, 2020. The increase in the current quarter is due to one construction loan where an asset recovery program was initiated and we expect to recover all past due interest and principal in Q2 2021. The impairment of this construction mortgage is not related to COVID-19.
- The impaired total mortgage ratio[1] was 0.55% at March 31, 2021 compared to 0.18% at December 31, 2020. The increase in the current quarter is discussed above.
- Total mortgage arrears[1] were $31 million at March 31, 2021 compared to $30 million at December 31, 2020. Both period ends include the one construction mortgage discussed above.
- The average loan to value ratio of our uninsured single family portfolio based on an industry index of current real estate values was 60.0% at March 31, 2021 compared to 60.6% at December 31, 2020.

**Capital**

- In order to support our continued growth and maintain our targeted capital requirements, we announced on May 5, 2021, that we will be offering rights (the "Rights Offering") to eligible holders of the Company's common shares of record at the close of business on May 12, 2021. Pursuant to the Rights Offering, each shareholder will receive one Right for each common share held. Every 20 Rights plus $15.65 will entitle the holder to subscribe for one common share. The Company expects to raise gross proceeds of approximately $20.4 million. The expected closing date of the Rights Offering is June 10, 2021. Directors and senior officers, collectively holding approximately 4.4 million common shares (including major shareholder Ian Sutherland), have indicated their intention to exercise some or all of their Rights, subject to market conditions. As well, KingSett Canadian Real Estate Income Fund, an institutional shareholder with a significant position in the Company's common shares, has indicated its intention to exercise all of its Rights, subject to market conditions. The Rights will trade on the Toronto Stock Exchange under the symbol MKP.RT commencing on May 11, 2021, and will cease trading at 12:00 p.m. (Toronto time) on June 7, 2021. Rights are exercisable until 5:00 p.m. (Toronto time) on June 7, 2021. The Rights Offering includes an additional subscription privilege under which eligible holders who fully exercise their Rights will be entitled to subscribe for additional common shares, if available, that are not otherwise subscribed for in the Rights Offering.

- We issued 184,072 new common shares through the Dividend Reinvestment Plan ("DRIP") in Q1 2021 compared to 204,894 in Q1 2020. The DRIP participation rate was 17% for the Q1 2021 dividend compared to 17% for the Q1 2020 dividend. The 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.
- We issued 1,223,499 new common shares on March 31, 2021 for the special stock dividend to shareholders of record on March 15, 2021 (with fractional shares paid in cash) at the weighted average trading price for the five days preceding March 15, 2021 of $17.3178.
- The income tax assets to capital ratio[1] was 5.05 at March 31, 2021 compared to 5.09 at December 31, 2020.
- The Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[1,2] were 21.65% at March 31, 2021 compared to 21.67% at December 31, 2020. Total Capital to risk-weighted assets ratio[1,2] was 22.02% at March 31, 2021 compared to 22.02% at December 31, 2020.
- The leverage ratio[1] was 9.69% at March 31, 2021 compared to 10.17% at December 31, 2020.

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this news release.*
[2] *Effective March 31, 2020, the total capital ratio reflects the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital are included in CET 1 capital. The adjustment to CET 1 capital will be measured each quarter as the increase, if any, in stage 1 and stage 2 allowances compared to the corresponding allowances at December 31, 2019. The increase, if any, is subject to a scaling factor that will decrease over time and is set at 70% in fiscal 2020, 50% in fiscal 2021 and 25% in fiscal 2022.*

**Annual and Special Meeting of Shareholders**

The Company's virtual Annual and Special Meeting of Shareholders will be held at 4:30 p.m. (Toronto time) on May 11, 2021 via live audio webcast at https://web.lumiagm.com/438826523, using the password: mcan2021. Additional details are on our website.

**Non-IFRS Measures**

The following metrics are considered to be Non-IFRS measures and are defined in the “Non-IFRS Measures” section of the 2021 First Quarter Report: Return on Average Shareholders’ Equity, Net Corporate Mortgage Spread Income, Spread of Corporate Mortgages over Term Deposit Interest, Average Corporate Mortgage Portfolio Balance, Net Securitized Mortgage Spread Income, Average Securitized Mortgage Portfolio Balance, Spread of Securitized Mortgages Over Liabilities, Impaired Corporate Mortgage Ratio, Impaired Total Mortgage Ratio, Total Mortgage Arrears, Common Equity Tier 1 (“CET 1”) and Tier 1 Capital to Risk-Weighted Assets Ratios, Total Capital to Risk-Weighted Assets Ratio, Leverage Ratio and Income Tax Assets to Capital Ratio.

**Further Information**

Complete copies of the Company’s 2021 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.

For our Outlook, refer to the “Outlook” section of the 2021 First Quarter Report.

Details of the Rights Offering are set out in a Notice and Rights Offering circular, which are available under the Company’s profile on SEDAR at www.sedar.com. The Notice and accompanying direct registration system statement and subscription form (the “Rights DRS Advice”) will be mailed to each eligible shareholder of MCAN. To subscribe, registered shareholders must forward the completed Rights DRS Advice, together with the applicable funds, to the depositary and subscription agent, Computershare Investor Services, Inc., prior to the expiry time. Shareholders who own their common shares through an intermediary, such as a bank, trust company, securities dealer or broker, will receive materials and instructions from their intermediary.

*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 Income Tax Act (Canada) (the “Tax Act”).*

*The Company’s primary objective is to generate a reliable stream of income by investing 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 that are eligible for Canada Deposit Insurance Corporation deposit insurance and are sourced through a network of independent financial agents. We manage our capital and asset balances based on the regulations and limits of both the Tax Act and OSFI.*

*As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income. Regular dividends are treated as interest income to shareholders for income tax purposes. We are also able to pay capital gains dividends, which would be treated as capital gains to shareholders for income tax purposes. Dividends paid to foreign investors may be subject to withholding taxes. To meet the MIC criteria, 67% of our non-consolidated assets measured on a tax basis are required to be held in cash or cash equivalents and residential mortgages.*

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

*For how to enroll in the DRIP, please refer to the Management Information Circular dated March 12, 2021 or visit our website at www.mcanmortgage.com/investors/regulatory-filings. Under the DRIP, dividends paid to shareholders are automatically reinvested in common shares issued out of treasury at the weighted average trading price for the five days preceding such issue less a discount of 2% until further notice from MCAN.*

For further information, please contact:

**MCAN Mortgage Corporation**

Website: www.mcanmortgage.com

e-mail: mcanexecutive@mcanmortgage.com

Karen Weaver
President and Chief Executive Officer
(416) 203-5931

Floriana Cipollone
Vice President and Chief Financial Officer
(416) 591-5204

**A Caution About Forward-looking Information and Statements**

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

- the current business environment and outlook;
- the impact of global health pandemics on the Canadian economy and globally, including the continuing impact of COVID-19;
- 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;
- performance of our investments;
- factors affecting our competitive position within the housing markets;
- international trade and geopolitical uncertainties and their impact on the Canadian economy;
- sufficiency of our access to capital resources;
- the timing of the effect of interest rate changes on our cash flows;
- the declaration and payment of dividends; and
- the success of the Rights Offering.

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, including the anticipated impact of government actions related to COVID-19;
- the economic and social impact, management, duration and potential worsening of the impact of COVID-19 or any other future pandemic;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- systems failure or cyber and 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;
- 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 our equity investments.

The COVID-19 pandemic has cast particular uncertainty on the Company's internal expectations, estimates, projections, assumptions and beliefs, including with respect to the Canadian economy, employment conditions, interest rates, levels of housing activity and household debt service levels. There can be no assurance that they will continue to be valid. Given the rapid pace of change with respect to the impact of the COVID-19 pandemic, it is premature to make further assumptions about these matters. The duration, extent and severity of the impact the COVID-19 pandemic, including measures to prevent its spread and related government actions adopted in response, will have on our business is highly uncertain and difficult to predict at this time.

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 risks and uncertainties referred to in our Annual Information Form for the year ended December 31, 2020.

Subject to applicable securities law requirements, we undertake no obligation to publicly update or revise any forward-looking information after the date of this news 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.