



MCAN MORTGAGE CORPORATION ANNOUNCES Q3 2021 RESULTS AND DECLARES \$0.34 CASH DIVIDEND PER SHARE

Toronto, Ontario - November 5, 2021. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") (TSX: "MKP") reported strong net income of \$13.0 million (\$0.47 earnings per share) for the third quarter of 2021, a decrease from net income of \$22.7 million (\$0.92 earnings per share) in the third quarter of 2020 primarily due to an expected decrease in equity income from MCAP related to lower mortgage origination and processing fees, including non-recurring new contracts in the prior year. Third quarter 2021 return on average shareholders' equity was 13.22% compared to 28.04% in the prior year. Results for the third quarter of 2021 were positively impacted by growth in our core business compared to the third quarter of 2020.

Year to date, we reported net income of \$48.3 million (\$1.84 earnings per share), an increase of 132% from a net income of \$20.8 million (\$0.85 earnings per share) for the same period in 2020. Year to date return on average shareholders' equity was 17.40% compared to 8.61% in the prior year. Year to date 2021 results were mainly impacted by fair value gains on our marketable securities compared to fair value losses at the onset of the pandemic and growth in our core business, partly offset by an expected decrease in equity income from MCAP. The Company typically sees swings in its earnings per share due to fluctuations in marketable and non-marketable securities investment income, realized gains and unrealized gains and losses.

The Board of Directors (the "Board") declared a quarterly cash dividend of \$0.34 per share to be paid January 4, 2022 to shareholders of record as of December 15, 2021.

"We are very pleased with our strong year to date results. Our mortgage originations continue to be strong and our portfolio continues to grow in response to very low interest rates and our exceptional client service. We have been enhancing our sales and marketing capabilities, services to our mortgage brokers and our underwriting efficiency and our efforts are paying off. We recently won Canadian Mortgage Professional's 5-star Mortgage Products Award in the Alternative Lending Category," said Karen Weaver, President and Chief Executive Officer. "We are also looking to expand our sources of capital, both debt and equity, and to that end have recently filed a Base Shelf prospectus and launched an at-the-market equity program to be executed over a maximum 24 month period that will supplement other capital raising initiatives."

Highlights

- Corporate assets totalled \$2.02 billion at September 30, 2021, an increase of \$463 million (30%) from December 31, 2020 driven by growth in all our major assets:
 - Uninsured single family originations totalled \$417 million year to date 2021, an increase of \$247 million (146%) from the same period in 2020.
 - Construction and commercial originations totalled \$569 million year to date 2021, an increase of \$214 million (60%) from the same period in 2020.
 - Marketable securities totalled \$71 million at September 30, 2021, an increase of \$21 million (43%) from December 31, 2020 due to \$10 million of REIT purchases and \$11 million of unrealized fair value gains.
 - Non-marketable securities totalled \$60 million at September 30, 2021, an increase of \$4 million (7%) from December 31, 2020 primarily from three new investments with \$23 million in remaining capital commitments expected to fund over approximately two years.
- Securitized mortgages totalled \$1.53 billion at September 30, 2021, an increase of \$395 million (35%) from December 31, 2020 primarily due to an increase in originations and securitizations:
 - Insured single family originations totalled \$569 million year to date 2021, an increase of \$171 million (43%) from the same period in 2020. In addition, we originated and sold \$65 million of insured single family commitments year to date 2021 under a new agreement with MCAP Securities Limited Partnership, a wholly owned subsidiary of MCAP.
 - Insured single family securitizations totalled \$582 million year to date 2021, an increase of \$130 million (29%) from the same period in 2020.

Financial Update

- Net corporate mortgage spread income¹ increased by \$2.7 million for Q3 2021 from Q3 2020 and increased \$5.5 million for year to date 2021 from 2020 due to a higher average corporate mortgage portfolio balance¹ and an increase in the spread of corporate mortgages over term deposit interest¹, as a result of a larger reduction in term deposit rates compared to mortgage rates. Term deposit rates in 2020 were impacted by a temporary higher demand for liquidity by financial institutions in the term deposit market resulting in higher term deposit funding costs at the onset of the pandemic.
- Net securitized mortgage spread income¹ increased by \$0.6 million for Q3 2021 from Q3 2020 and increased \$3.4 million for year to date 2021 from 2020 mainly due to a higher average securitized mortgage portfolio balance¹ from significantly higher originations of

insured single family mortgages. For Q3 2021, this was partially offset by a decrease in the spread of securitized mortgages over liabilities¹ compared to Q3 2020 due to a decline in the spread of Government of Canada bond yields versus our mortgage rates. For year to date 2021, there was an increase in the spread compared to the same period last year. The decrease in interest rates at the start of the pandemic led to an increase in the number of early repaid mortgages in Q1 and Q2 2020, causing higher indemnity expenses incurred compared to penalty income received which decreased the spread of securitized mortgages over liabilities¹ during that period.

- Allowance for credit losses on our corporate mortgage portfolio totalled \$5.9 million at September 30, 2021, a net decrease of \$0.3 million from December 31, 2020 and \$0.3 million from September 30, 2020. The decrease is due to improved economic forecasts as we start making our way out of the pandemic partially offset by growth in our portfolio versus the prior periods.
- Equity income from MCAP Commercial LP (“MCAP”) totalled \$5.6 million in Q3 2021, a decrease of \$12.4 million (69%) from \$18.0 million in Q3 2020, and totalled \$19.2 million for year to date 2021, a decrease of \$5.3 million (22%) from \$24.5 million year to date 2020. For Q3 2021, this was primarily due to lower financial instruments gains compared to the prior year and decreased mortgage origination and processing fees from (i) lower mortgage spreads, (ii) higher Government of Canada bond yields, and (iii) non-recurring new contracts in the prior year. For 2021 year to date, the decrease is due to the same factors as for Q3 2021 mentioned above, except with partial offsets of (i) higher interest income on securitized mortgages as a result of an increase in that portfolio and higher spreads being earned on that portfolio, and (ii) economic hedge gains recorded this year versus losses recorded in the prior year.
- In Q3 2021, we recorded a \$1.0 million net gain on securities compared to a \$0.5 million net loss on securities in Q3 2020. Year to date net gain on securities was \$11.4 million for 2021 compared to a year to date net loss on securities of \$14.8 million for 2020. Activity in both periods relates to unrealized fair value changes on our REIT portfolio, with both periods experiencing volatility due to COVID-19. The recovery in 2021 comes amid optimism in economic forecasts, reopenings and higher vaccination rates.
- Return on average shareholders’ equity¹ was 13.22% in Q3 2021 compared to 28.04% in Q3 2020. Return on average shareholders’ equity¹ was 17.40% for 2021 year to date, which compares to 8.61% for 2020 year to date.

Credit Quality

- Impaired corporate mortgage ratio¹ was 0.06% at September 30, 2021 compared to 0.11% at June 30, 2021 and 0.30% at December 31, 2020.
- Impaired total mortgage ratio¹ was 0.04% at September 30, 2021 compared to 0.07% at June 30, 2021 and 0.18% at December 31, 2020.
- Arrears total mortgage ratio¹ was 0.40% at September 30, 2021 compared to 0.58% at June 30, 2021 and 1.25% at December 31, 2020.
- Average loan to value ratio (“LTV”) of our uninsured single family portfolio based on an industry index of current real estate values was 59.3% at September 30, 2021 compared to 58.0% at June 30, 2021 and 60.6% at December 31, 2020.

Capital

- In order to add to our existing funding sources, on August 20, 2021, we filed a Base Shelf prospectus allowing us to make public offerings of up to \$400 million of debt or equity securities during the 25 month period that it is effective, through Prospectus Supplements. On October 6, 2021, we filed a Prospectus Supplement establishing an at-the-market equity program (“ATM Program”) to issue up to \$30 million of common shares from the public from time to time over a 2 year period at the market prices prevailing at the time of sales. The volume and timing of distributions under the ATM Program will be determined at our sole discretion and will allow us to raise capital incrementally as we grow. As of November 4, 2021, there has been no public offerings under these capital raising initiatives.
- We issued \$1.4 million in new common shares through the Dividend Reinvestment Plan (“DRIP”) in Q3 2021 compared to \$1.4 million in Q3 2020. The DRIP participation rate was 17% for Q3 2021 compared to 17% for the Q3 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.
- Income tax assets to capital ratio¹ was 5.50 at September 30, 2021 compared to 5.05 at June 30, 2021 and 5.09 at December 31, 2020.
- Common Equity Tier 1 (“CET 1”) and Tier 1 Capital to risk-weighted assets ratios^{1,2} were 19.45% at September 30, 2021 compared to 21.91% at June 30, 2021 and 21.67% at December 31, 2020. Total Capital to risk-weighted assets ratio^{1,2} was 19.73% at September 30, 2021 compared to 22.24% at June 30, 2021 and 22.02% at December 31, 2020.
- Leverage ratio¹ was 8.86% at September 30, 2021 compared to 9.59% at June 30, 2021 and 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.

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 Third 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, Arrears Total 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 Third 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 Third Quarter Report.

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:

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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; 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, 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 of the COVID-19 pandemic or any further outbreaks, including measures to prevent its spread and related government actions adopted in response, will have on our business continues to be 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.