



MCAN FINANCIAL GROUP ANNOUNCES Q3 2022 RESULTS AND DECLARES \$0.36 REGULAR CASH DIVIDEND

Toronto, Ontario - November 10, 2022. MCAN Mortgage Corporation d/b/a MCAN Financial Group ("MCAN", the "Company" or "we") (TSX: "MKP") reported net income of \$11.7 million (\$0.37 earnings per share) for the third quarter of 2022, a decrease from net income of \$13.0 million (\$0.47 earnings per share) in the third quarter of 2021. Third quarter 2022 return on average shareholders' equity¹ was 10.52% compared to 13.22% in the prior year. Year to date, we reported net income of \$31.3 million (\$1.01 earnings per share), a decrease from net income of \$48.3 million (\$1.84 earnings per share) in 2021. Year to date return on average shareholders' equity¹ was 9.47% compared to 17.40% in the prior year. We reported lower total net income mainly as a result of unrealized fair value losses on our REIT portfolio due to the current market environment partially offset by growth in our core mortgage and lending business. Our net corporate mortgage spread income¹ increased by \$3.8 million from Q3 2021 and \$11.2 million from year to date 2021. We are pleased with that and it affirms our strategy going into these economic headwinds of working on controllable factors to protect our bottom line. Unrealized fair value gains and losses on our REIT portfolio were a \$5.0 million unrealized loss (\$0.16 loss per share) for the third quarter of 2022 and a \$12.0 million unrealized loss (\$0.39 loss per share) year to date 2022 compared to a \$1.0 million unrealized gain (\$0.04 earnings per share) for the third quarter of 2021 and a \$11.4 million unrealized gain (\$0.43 earnings per share) for year to date 2021. Excluding the unrealized fair value gains and losses on our REIT portfolio, current net income would have been higher for the quarter and year to date compared to prior year. While we expect continued volatility in the REIT market, we are invested for the long-term and we continue to realize the benefits of solid cash flows and distributions from these investments.

The Board of Directors declared a fourth quarter regular cash dividend of \$0.36 per share to be paid January 3, 2023 to shareholders of record as of December 15, 2022. As a mortgage investment corporation, we pay out all of our taxable income to shareholders through dividends. At this time, we do not expect to have taxable income per share greater than our regular cash dividends per share.

"Our third quarter results from our core lending business were in line with our expectations and affirm our strategy of protecting our net mortgage interest. The current rising interest rate environment, housing market challenges and inflation are all causing uncertainty in the Canadian economy," said Karen Weaver, President and Chief Executive Officer. "Our business has various levers and attributes that are positive for managing net mortgage interest income in a rising interest rate environment including the one year term of our uninsured residential mortgages, the primarily floating rates on our construction portfolio and realigning the duration of our term deposit funding. We remain focused on achieving solid margins in our mortgage and lending business and, where possible, rebalancing within our risk appetite, to higher yielding construction products for affordable housing, for which there is still strong demand in Canada's supply constrained urban markets."

Highlights

- Corporate assets totalled \$2.27 billion at September 30, 2022, a net increase of \$111 million (5%) from December 31, 2021 driven mainly by growth in our major assets:
 - Construction and commercial mortgages totalled \$879 million at September 30, 2022, a net increase of \$102 million (13%) from December 31, 2021. Construction and commercial mortgage originations totalled \$414 million year to date 2022, a decrease of \$155 million (27%) from the same period in 2021. We will look to rebalance through the remainder of this year and next year, if possible, to a higher proportion of construction and commercial loans that fit within our risk appetite and capital requirements.
 - Uninsured residential mortgages totalled \$848 million at September 30, 2022, a net increase of \$65 million (8%) from December 31, 2021. Uninsured residential mortgage originations totalled \$320 million year to date 2022, a decrease of \$96 million (23%) from the same period in 2021. We are also actively rebalancing to a lower proportion of uninsured residential mortgage originations compared to higher yielding residential construction loans.
 - Non-marketable securities totalled \$93 million at September 30, 2022, an increase of \$28 million (44%) from December 31, 2021 with \$86 million of remaining capital advances expected to fund mainly over the next five years.
 - Marketable securities totalled \$52 million at September 30, 2022, a net decrease of \$11 million (17%) from December 31, 2021 comprised of \$7 million of REIT purchases net of \$4 million of REIT sales and \$14 million of net realized and unrealized fair value losses.
- Securitized mortgages totalled \$1.69 billion at September 30, 2022, a net increase of \$108 million (7%) from December 31, 2021 primarily due to continued originations and securitization volumes:
 - Insured residential mortgage originations totalled \$499 million year to date 2022, a decrease of \$135 million (21%) from the same period in 2021. This includes \$184 million of insured residential mortgage commitments originated and sold compared to \$65 million in 2021. We launched our insured adjustable rate residential mortgage product in Q1 2022. Unlike traditional insured variable rate mortgages, payments on our insured adjustable rate residential mortgages increase or adjust as interest rates rise 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 new product to change as interest rates rise. Insured residential mortgage securitizations totalled \$314 million year to date 2022, a decrease of \$268 million (46%) from the same period in 2021. We decreased our insured residential mortgage originations and securitization

volumes and increased the volume of our insured residential mortgage commitment sales given the extremely tight and even negative securitization spreads. We use various channels in the insured residential mortgage market, in the context of market conditions and net contributions over the life of the mortgages, in order to support our overall business.

Financial Update

- Net corporate mortgage spread income¹ increased by \$3.8 million for Q3 2022 from Q3 2021 and increased \$11.2 million for year to date 2022 from 2021 mainly due to a higher average corporate mortgage portfolio balance. For Q3 2022, there was an increase in the spread of corporate mortgages over term deposit interest and expenses from Q3 2021 due to a larger increase in average mortgage rates, including our floating rate residential construction mortgages, compared to the increase in average term deposit rates due to actual and expected Bank of Canada rate increases. For year to date 2022, there was a decrease in the spread of corporate mortgages over term deposit interest and expenses from year to date 2021 mainly due to (i) an increase in average term deposit rates as a result of the same factors as for Q3 2022 mentioned above, as well as dislocation in the term deposit market at the start of the Russia/Ukraine conflict which caused increased demand by financial institutions for term deposit funding; and (ii) a decrease in our average mortgage rates from continued market competition keeping mortgage rates low in our residential mortgage portfolio.
- Net securitized mortgage spread income¹ decreased by \$0.5 million for Q3 2022 from Q3 2021 and decreased \$1.1 million for year to date 2022 over the same period in 2021 mainly due to a decrease in the spread of securitized mortgages over liabilities partially offset by a higher average securitized mortgage portfolio balance from originations of insured residential mortgages. We have seen the spread of securitized mortgages over liabilities decline on securitizations in 2022 mainly as a result of a larger increase in average securitization liability interest expense, from significantly increasing Government of Canada bond yields as we have entered a rising interest rate environment, compared to the increase in our average mortgage rates.
- For Q3 2022, we had a provision for credit losses on our corporate mortgage portfolio of \$0.9 million compared to a recovery of credit losses of \$0.1 million in Q3 2021. For year to date 2022, we had a provision for credit losses on our corporate mortgage portfolio of \$27 thousand compared to a recovery of credit losses of \$0.3 million for year to date 2021. For 2022, the provisions were mainly due to the shift in economic forecasts from the pandemic to the recent uncertainty around inflation and the rising interest rate environment as well as growth in our portfolio. For 2021, the recoveries were mainly due to economic forecasts being more optimistic amid vaccine roll-outs at that time.
- Equity income from MCAP Commercial LP (“MCAP”) totalled \$8.2 million in Q3 2022, an increase of \$2.6 million (47%) from \$5.6 million in Q3 2021, and totalled \$19.7 million for year to date 2022, an increase of \$0.5 million (3%) from \$19.2 million year to date 2021. The increase in both the quarter and year to date was primarily due to higher servicing and administration revenue resulting from higher assets under management, and higher financial instrument gains resulting from (i) hedge gains; (ii) favourable fair value adjustments; and (iii) lower hedge costs. These were partially offset by (i) lower net interest income on securitized mortgages due to compressed spreads as a result of the rising interest rate environment; (ii) lower mortgage origination fees from lower spreads and origination volumes due to market conditions; (iii) higher interest expense; and (iv) higher operating expenses mainly attributed to higher headcount.
- In Q3 2022, we recorded a \$5.1 million net unrealized loss on securities compared to a \$1.0 million net unrealized gain on securities in Q3 2021. Year to date net realized and unrealized loss on securities was \$13.8 million for 2022 compared to a year to date net unrealized gain on securities of \$11.4 million for 2021. We are seeing continued declines in REIT prices from the rising interest rate environment and current geopolitical conflicts compared to optimism in 2021 around vaccine roll-outs. While we expect continued volatility in the REIT market, we are invested for the long-term and we continue to realize the benefits of solid cash flows and distributions from these investments. In Q1 2022, one REIT in our portfolio had a mandatory corporate action resulting in privatization and as such we recognized a \$1.8 million realized loss.

Credit Quality

- Impaired corporate mortgage ratio¹ was 0.00% at September 30, 2022 compared to 0.01% at June 30, 2022 and 0.05% at December 31, 2021.
- Impaired total mortgage ratio¹ was 0.01% at September 30, 2022 compared to 0.02% at June 30, 2022 and 0.03% at December 31, 2021.
- Arrears total mortgage ratio¹ was 1.11% at September 30, 2022 compared to 0.36% at June 30, 2022 and 0.46% at December 31, 2021. The increase in the arrears total mortgage ratio is primarily due to two construction mortgages where asset recovery programs are being initiated and we expect to recover all past due interest and principal. We have a strong track record with our asset recovery program should the need arise. Our realized loan losses on our construction portfolio have been negligible in the last 10 years.
- Average loan to value ratio (“LTV”) of our uninsured residential mortgage portfolio based on an industry index of current real estate values was 58.1% at September 30, 2022 compared to 58.1% at June 30, 2022 and 60.3% at December 31, 2021.

Capital

- In 2021, we filed a Prospectus Supplement to our Base Shelf prospectus establishing an at-the-market equity program (“ATM Program”) to issue up to \$30 million common shares to the public from time to time over a 2 year period at the market prices prevailing at the time of sale. The volume and timing of distributions under the ATM Program will be determined at our sole

discretion. During Q3 2022, we sold 600 common shares at a weighted average price of \$17.10 for gross and net proceeds of \$11 thousand. Year to date 2022, we sold 236,600 common shares at a weighted average price of \$17.88 for gross proceeds of \$4.2 million and net proceeds of \$4.1 million including \$85 thousand of commission paid to our agent and \$30 thousand of other share issuance costs under the ATM Program.

- We issued \$28.8 million in new common shares on March 31, 2022 from our 2022 first quarter special stock dividend to shareholders.
- We issued \$2.0 million in new common shares in Q3 2022 (Q3 2021 - \$1.4 million) and \$7.4 million year to date 2022 (\$5.8 million - year to date 2021) through the Dividend Reinvestment Plan ("DRIP"). The DRIP participation rate for the 2022 third quarter dividend was 17% (2022 second quarter - 17%; 2021 third quarter - 17%). 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 ratio³ was 5.76 at September 30, 2022 compared to 5.53 at June 30, 2022 and 5.29 at December 31, 2021.
- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios² were 18.35% at September 30, 2022 compared to 18.82% at June 30, 2022 and 20.26% at December 31, 2021. Total Capital to risk-weighted assets ratio² was 18.64% at September 30, 2022 compared to 19.09% at June 30, 2022 and 20.54% at December 31, 2021.
- Leverage ratio² was 8.88% at September 30, 2022 compared to 8.82% at June 30, 2022 and 9.41% at December 31, 2021.

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 new release. 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. 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 was 70% in fiscal 2020, 50% in fiscal 2021 and is set at 25% in fiscal 2022.

³ Tax balances are calculated in accordance with the Tax Act.

Further Information

Complete copies of the Company's 2022 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.mcanfinancial.com.

For our Outlook, refer to the "Outlook" section of the 2022 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 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 that 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 the Office of the Superintendent of Financial Institutions Canada ("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.

Our MCAN Home division operates through MCAN's wholly owned subsidiary, XMC Mortgage Corporation, which has legally changed its name effective April 1, 2022, to MCAN Home Mortgage Corporation.

For how to enroll in the DRIP, please refer to the Management Information Circular dated March 11, 2022 or visit our website at www.mcanfinancial.com. 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%.

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Non-GAAP and Other Financial Measures

This news release references a number of non-GAAP and other financial measures and ratios to assess our performance such as return on average shareholders' equity, net corporate mortgage spread income, net securitized mortgage spread income, impaired corporate mortgage ratio, impaired total mortgage ratio, and arrears total mortgage ratio. These measures are not calculated in accordance with International Financial Reporting Standards ("IFRS"), are not defined by IFRS and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. These metrics are considered to be non-GAAP and other financial measures and are incorporated by reference and defined in the "Non-GAAP and Other Financial Measures" section of our 2022 Third Quarter MD&A available on SEDAR at www.sedar.com. Below are reconciliations for our non-GAAP financial measures included in this news release using the most directly comparable IFRS financial measures.

Net Corporate Mortgage Spread Income

Non-GAAP financial measure that is an indicator of net interest profitability of income-earning assets less cost of funding for our corporate mortgage portfolio. It is calculated as the difference between corporate mortgage interest and term deposit interest and expenses.

| (in thousands) | Q3 | Q3 | Change | YTD | YTD | Change |
|---------------------------------------------|------------------|------------------|-----------------|------------------|------------------|------------------|
| For the Periods Ended September 30 | 2022 | 2021 | (\$) | 2022 | 2021 | (\$) |
| Mortgage interest - corporate assets | \$ 27,216 | \$ 19,072 | | \$ 70,539 | \$ 51,387 | |
| Term deposit interest and expenses | 12,330 | 8,013 | | 31,033 | 23,041 | |
| Net Corporate Mortgage Spread Income | \$ 14,886 | \$ 11,059 | \$ 3,827 | \$ 39,506 | \$ 28,346 | \$ 11,160 |

Net Securitized Mortgage Spread Income

Non-GAAP financial measure that is an indicator of net interest profitability of income-earning securitization assets less cost of securitization liabilities for our securitized mortgage portfolio. It is calculated as the difference between securitized mortgage interest and interest on financial liabilities from securitization.

| (in thousands) | Q3 | Q3 | Change | YTD | YTD | Change |
|-------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| For the Periods Ended September 30 | 2022 | 2021 | (\$) | 2022 | 2021 | (\$) |
| Mortgage interest - securitized assets | \$ 7,949 | \$ 7,478 | | \$ 22,804 | \$ 21,376 | |
| Interest on financial liabilities from securitization | 6,214 | 5,222 | | 17,096 | 14,561 | |
| Net Securitized Mortgage Spread Income | \$ 1,735 | \$ 2,256 | \$ (521) | \$ 5,708 | \$ 6,815 | \$ (1,107) |

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, economic environment and outlook;
- the impact of global health pandemics on the Canadian economy and globally;
- 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;
- the performance of our investments;
- factors affecting our competitive position within the housing lending market;
- international trade and geopolitical uncertainties and their impact on the Canadian economy, including the Russia/Ukraine conflict;
- sufficiency of our access to 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;
- the economic and social impact, management, and duration of a pandemic;
- 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 conflicts such as the Russia/Ukraine conflict and post-pandemic government and Bank of Canada actions taken, 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, 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 impact the previous pandemic or any further variants or outbreaks, including measures to prevent their spread and related government actions adopted in response thereto, will have on our business continues to be 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 risks and uncertainties referred to in our Annual Information Form for the year ended December 31, 2021, our 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 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.