



MCAN FINANCIAL GROUP ANNOUNCES Q1 2022 RESULTS AND DECLARES \$0.36 REGULAR CASH DIVIDEND

Toronto, Ontario - May 9, 2022. MCAN Mortgage Corporation d/b/a MCAN Financial Group ("MCAN", the "Company" or "we") (TSX: "MKP") reported strong net income of \$15.5 million (\$0.52 earnings per share) for the first quarter of 2022, a slight decrease from net income of \$15.9 million (\$0.64 earnings per share) in the first quarter of 2021. Earnings per share for the first quarter of 2022 was impacted by our Rights Offering of almost 2.0 million units completed in December 2021, for which there has only been one quarter impact of the investment of those proceeds. First quarter 2022 return on average shareholders' equity¹ was 14.19% compared to 18.15% in the prior year.

The Board of Directors declared a second quarter regular cash dividend of \$0.36 per share to be paid June 30, 2022 to shareholders of record as of June 15, 2022.

"Our first quarter results were solid and in line with our expectations, despite market conditions materially changing since this time last year due to the increasing interest rate environment, housing market challenges, inflation and geopolitical uncertainties. We reached almost \$4 billion in total assets at the end of the quarter and grew our corporate assets by 5%," said Karen Weaver, President and Chief Executive Officer. "We also unveiled a new brand identity whereby MCAN Mortgage Corporation is now doing business as MCAN Financial Group. Our rebrand not only reflects the scope and breadth of all that we do, it also represents a new phase for MCAN - one defined by a continued focus on growth and ingenuity using our extensive real estate expertise and manifested by collaborative and fulfilling internal and external partnerships. We invest in our most important asset - our people - and we are proud to have been recently recognized as a 2022 5-Star Mortgage Employer by Canadian Mortgage Professional. We are also proud to have been certified as a Great Place to Work and in fact we recently ranked 13th overall on the 2022 list of Best Workplaces™ (under 1000+ employees) in Canada."

Highlights

- Corporate assets totalled \$2.28 billion at March 31, 2022, a net increase of \$118 million (5%) from December 31, 2021 driven by growth in all our major assets:
 - Uninsured residential mortgage originations totalled \$120 million year to date 2022, an increase of \$15 million (14%) from the same period in 2021.
 - Construction and commercial originations totalled \$102 million year to date 2022, a decrease of \$19 million (15%) from the same period in 2021.
 - Marketable securities totalled \$67 million at March 31, 2022, a net increase of \$4 million (7%) from December 31, 2021 including \$7 million of REIT purchases, \$4 million of REIT sales and \$1 million of net fair value gains.
 - Non-marketable securities totalled \$72 million at March 31, 2022, an increase of \$7 million (10%) from December 31, 2021 with \$45 million of remaining capital advances expected to fund over the next five years.
- Securitized mortgages totalled \$1.66 billion at March 31, 2022, an increase of \$75 million (5%) from December 31, 2021 primarily due to originations and securitization volumes:
 - Insured residential mortgage originations totalled \$181 million year to date 2022, a decrease of \$29 million (14%) from the same period in 2021.
 - Insured residential mortgage securitizations totalled \$137 million year to date 2022, a decrease of \$91 million (40%) from the same period in 2021.

Financial Update

- Net corporate mortgage spread income¹ increased by \$3.8 million in Q1 2022 compared to Q1 2021 due to a higher average corporate mortgage portfolio balance partially offset by a reduction in the spread of corporate mortgages over term deposit interest. The decrease in the spread of corporate mortgages over term deposit interest and expenses is due to a larger reduction in mortgage rates compared to term deposit rates. The decline in our mortgage rate is primarily due to continued market competition and appetite for variable rate mortgages which has kept rates compressed in our current portfolio mix.
- Net securitized mortgage spread income¹ decreased by \$0.2 million in Q1 2022 compared to Q1 2021 due to a lower spread of securitized mortgages over liabilities partially offset by a higher average securitized mortgage portfolio balance from insured residential mortgage originations. We have seen spreads decline on securitizations mainly as a result of a decline in the spread of Government of Canada bond yields versus our mortgage rates. Government of Canada bond yields have risen significantly in Q1 2022 as we have entered a rising interest rate environment.
- Allowance for credit losses on our corporate mortgage portfolio totalled \$5.4 million at March 31, 2022, a net decrease of \$1.3 million from December 31, 2021. The decrease was mainly due to improved economic forecasts as we recover from the economic effects of the COVID-19 pandemic partly offset by growth in our portfolio and increased uncertainty around inflation.

- Equity income from MCAP Commercial LP (“MCAP”) in Q1 2022 of \$5.2 million, a decrease of \$1.5 million from Q1 2021. This decrease was primarily due to competition in the mortgage origination space, which remained very strong in the first quarter of 2022 with low fixed rate mortgage spreads. Residential mortgage originations shifted significantly to variable rate mortgages in the quarter. This highly competitive mortgage origination space caused a decline in profitability quarter over quarter. This was partly offset by higher servicing and administration revenue from higher assets under management primarily related to its acquisition of Paradigm Quest Inc. in Q3 2021.
- In Q1 2022, we recorded a \$1.2 million net gain on securities compared to a \$3.9 million net gain on securities in Q1 2021 as we began to see more recent volatility in REIT prices from current geopolitical conflicts and an inflationary environment compared to optimism in Q1 2021 around vaccine rollouts. During 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.
- Return on average shareholders’ equity¹ was 14.19% in Q1 2022, a decrease from 18.15% in Q1 2021.

Credit Quality

- The impaired corporate mortgage ratio¹ was 0.03% at March 31, 2022 compared to 0.05% at December 31, 2021.
- The impaired total mortgage ratio¹ was 0.02% at March 31, 2022 compared to 0.03% at December 31, 2021.
- Arrears total mortgage ratio¹ was 0.40% at March 31, 2022 compared to 0.46% at December 31, 2021.
- The average loan to value ratio of our uninsured residential mortgage portfolio based on an industry index of current real estate values was 55.5% at March 31, 2022 compared to 60.3% at December 31, 2021.

Capital

- We issued \$28.8 million in new common shares on March 31, 2022 for our 2022 first quarter special stock dividend to shareholders (with fractional shares paid in cash) at the weighted average trading price for the five days preceding the record date of \$18.9326.
- 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 Q1 2022, we sold 24,300 common shares at a weighted average price of \$17.76 for gross proceeds of \$440,000 and net proceeds of \$404,000 including \$9,000 of commission paid to our agent and \$27,000 of other share issuance costs under the ATM Program.
- We issued \$3.4 million in new common shares through the Dividend Reinvestment Program (“DRIP”) in Q1 2022 compared to \$2.9 million in new common shares in Q1 2021. The DRIP participation rate was 17% for the Q1 2022 dividend (Q1 2021 - 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.
- The income tax assets to capital ratio³ was 5.53 at March 31, 2022 compared to 5.29 at December 31, 2021.
- The Common Equity Tier 1 (“CET 1”) and Tier 1 Capital to risk-weighted assets ratios² were 19.32% at March 31, 2022 compared to 20.26% at December 31, 2021. Total Capital to risk-weighted assets ratio² was 19.57% at March 31, 2022 compared to 20.54% at December 31, 2021.
- The leverage ratio² was 8.96% at March 31, 2022 compared to 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.

Annual and Special Meeting of Shareholders

The Company's virtual Annual and Special Meeting of Shareholders will be held at 4:30pm (Toronto time) on May 10, 2022 via live video webcast at <https://web.lumiagm.com/460905079>, meeting ID number 460-905-079 using the password: mcan2022.

Further Information

Complete copies of the Company's 2022 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 2022 First 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 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%.

For further information, please contact:

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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 First 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)				Change
For the Quarters Ended March 31	2022	2021		(\$)
Mortgage interest - corporate assets	\$ 20,508	\$ 15,796		
Term deposit interest and expenses	8,518	7,556		
Net Corporate Mortgage Spread Income	\$ 11,990	\$ 8,240	\$	3,750

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)				Change
For the Quarters Ended March 31	2022	2021		(\$)
Mortgage interest - securitized assets	\$ 7,257	\$ 6,632		
Interest on financial liabilities from securitization	5,249	4,426		
Net Securitized Mortgage Spread Income	\$ 2,008	\$ 2,206	\$	(198)

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;
- 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 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 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;
- 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.

The COVID-19 pandemic has 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, levels of housing activity and household debt service levels. There can be no assurance that they will continue to be valid. The duration, extent and severity of the impact the COVID-19 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.