

# ANNUAL & SPECIAL MEETING OF SHAREHOLDERS PRESENTATION

May 8, 2019



# INTRODUCTIONS



Ian Sutherland  
Chair of the Board  
Founding Partner

# THANK YOU TO OUR RETIRING DIRECTOR



William Terrence  
Wright

Director since  
September 2013

# FORWARD LOOKING INFORMATION

This presentation may contain forward-looking statements and statements regarding the business and anticipated financial performance of MCAN Mortgage Corporation and its subsidiaries. These statements are based on current expectations, and are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technology change, global market activity, interest rates, changes in government and economic policy and general economic conditions in geographic areas where MCAN operates.

Reference is made to the risk factors disclosed in MCAN's Annual Information Form for the year ended December 31, 2018 which are incorporated herein by reference. These and other factors should be considered carefully and undue reliance should not be placed on MCAN's forward-looking statements. Subject to applicable securities law requirements, MCAN does not undertake to update any forward-looking statements.

# MEETING AGENDA

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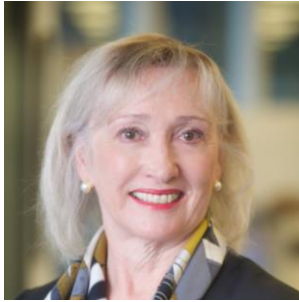
1. Call meeting to order and appoint Secretary and Scrutineer
2. 2018 Annual Report including Audited Financial Statements

# MEETING AGENDA

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3. Amendment to Section 3.01 of By-law No. Ten
4. Election of Directors

# BOARD OF DIRECTORS NOMINEES



Verna Cuthbert  
Director since  
September 2013



Susan Doré  
Director since  
May 2010



Gordon Herridge  
Director since  
May 2018



Loraine McIntosh  
Director since  
May 2017



Gaelen Morphet  
Director since  
January 2018



Derek Sutherland  
Director since  
May 2017



Ian Sutherland  
Director since  
January 1991



Karen Weaver  
Director since  
November 2011

# MEETING AGENDA

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5. Appointment of Auditors
6. Amendment to Section 3.17 of By-law No. Ten
7. Amendment to Section 3.04 of By-law No. Ten



# MEETING AGENDA

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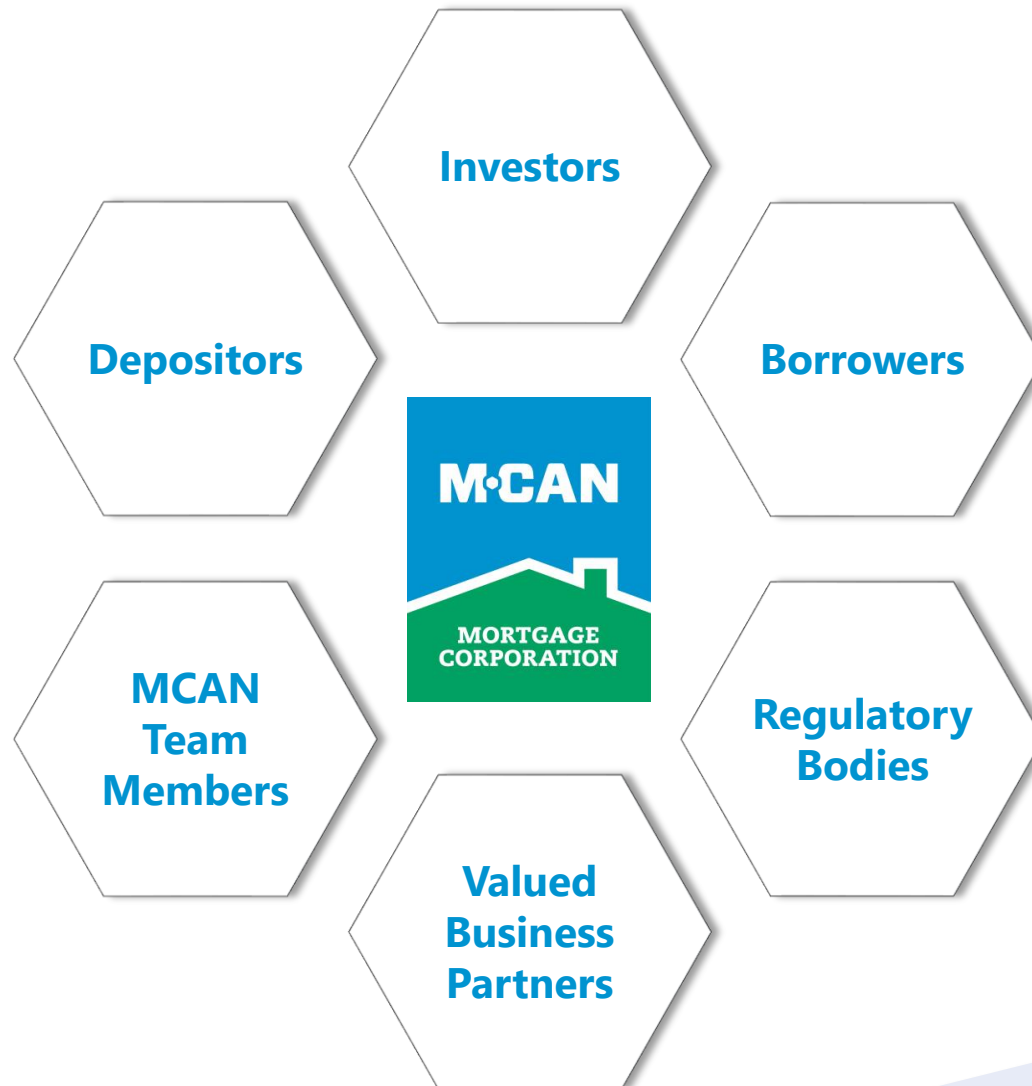
8. Termination of formal business of meeting
9. Discussion of Company's business performance
10. Question period

# MANAGEMENT PRESENTATION

May 8, 2019



# WELCOME



# TODAY

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1. CEO's Business Overview
2. 2018 Year in Review
3. First Quarter 2019 Highlights
4. Strategy and Outlook

# EXECUTIVE MANAGEMENT



Karen Weaver  
President & CEO



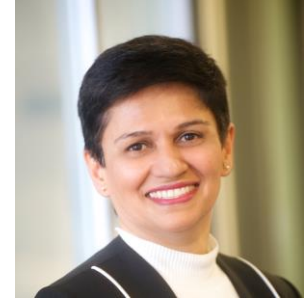
Dipti Patel  
VP & CFO



Emily Randle  
VP & CRO



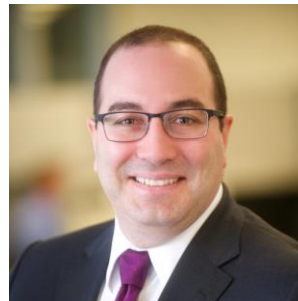
Carl Brown  
VP, Operations  
& Treasurer



Sylvia Pinto  
VP, Corporate Secretary  
& Governance Officer



Martin Beaudry  
VP, Single Family  
Mortgage Operations



Joseph Shaw  
VP & CIO



Paul Gill  
VP, Information  
Technology



Mike Jensen  
VP & CCO  
(CAMLO & Privacy  
Officer)



Milica Pejic  
VP & CAO

# COLLECTIVE EXPERIENCE

188  
years

Real Estate

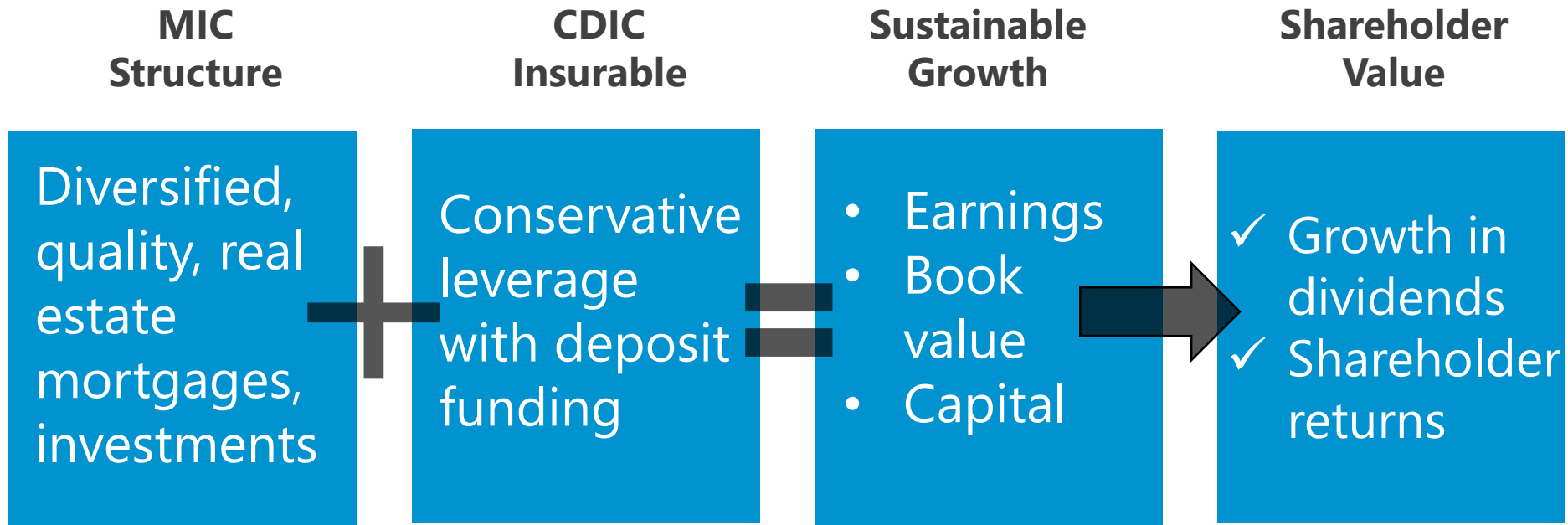
163  
years

Lending  
Business



55+ years

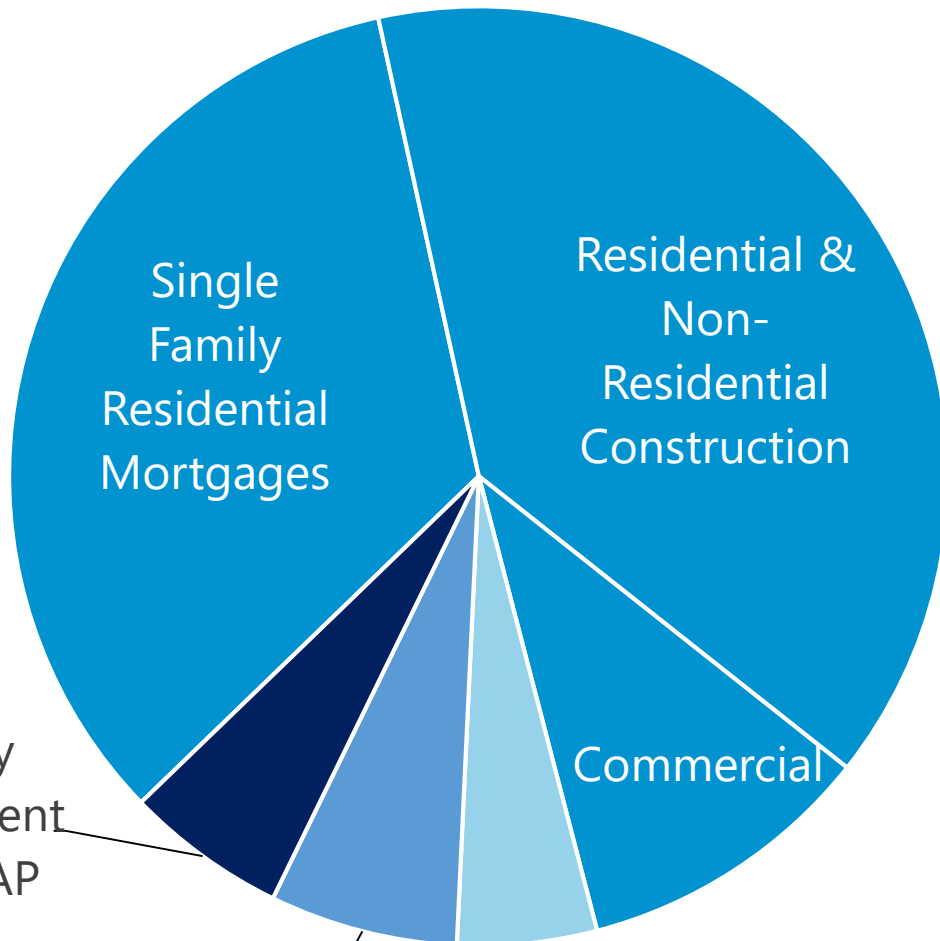
# MCAN BUSINESS



Our focus since founding in 1991

# DIVERSIFIED QUALITY REAL ESTATE INVESTMENTS

**\$2.14**  
Billion  
Total Assets



Equity investment in MCAP

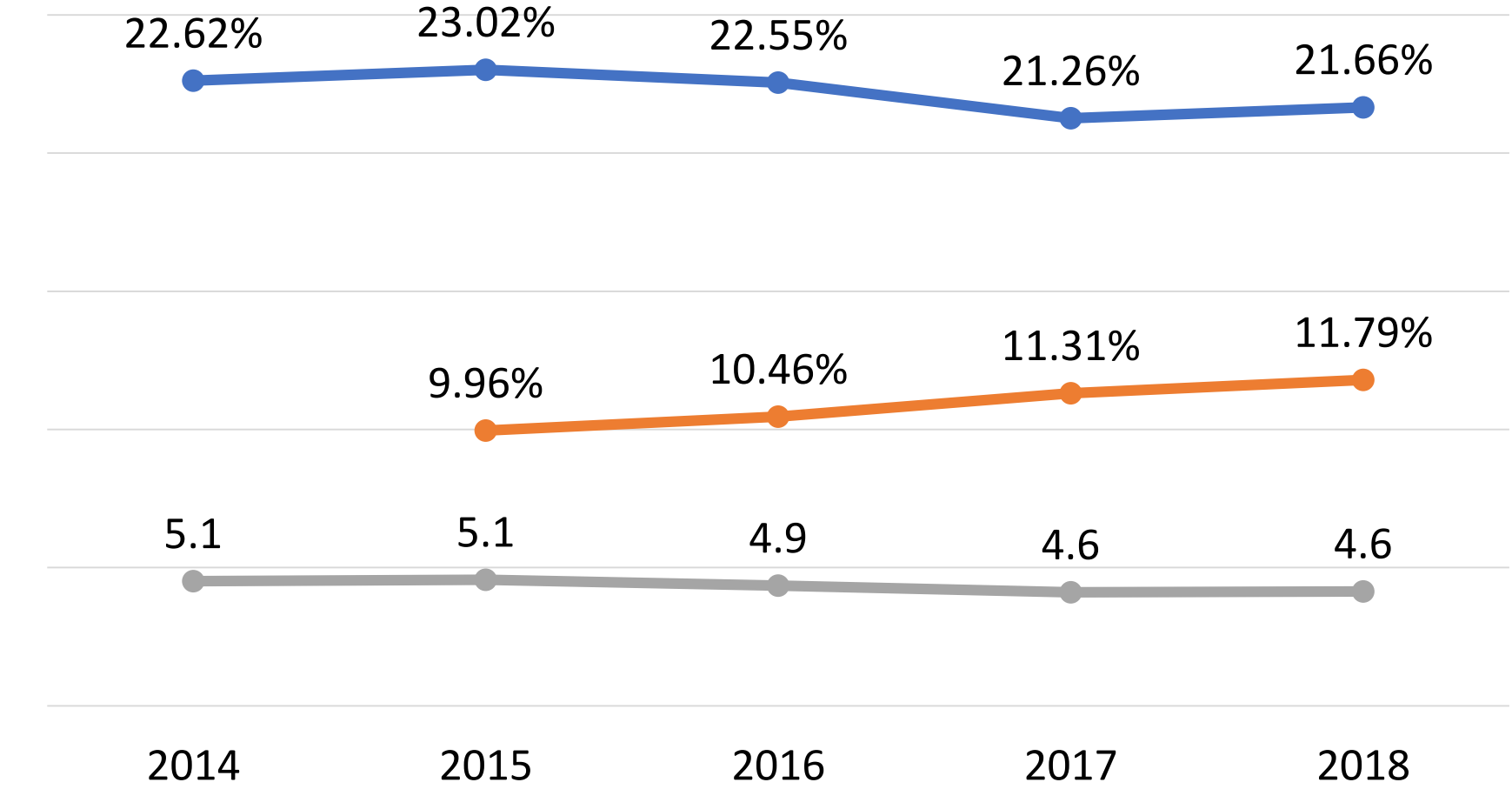
Non-marketable securities

MCAN Mortgage Corporation

Marketable securities



# CONSERVATIVE LEVERAGE



● CET 1, Tier 1 and Total Capital Ratio (%), all-in      ● Leverage Ratio (%) (effective 2015 onwards)  
● Income Tax Assets to Capital Ratio

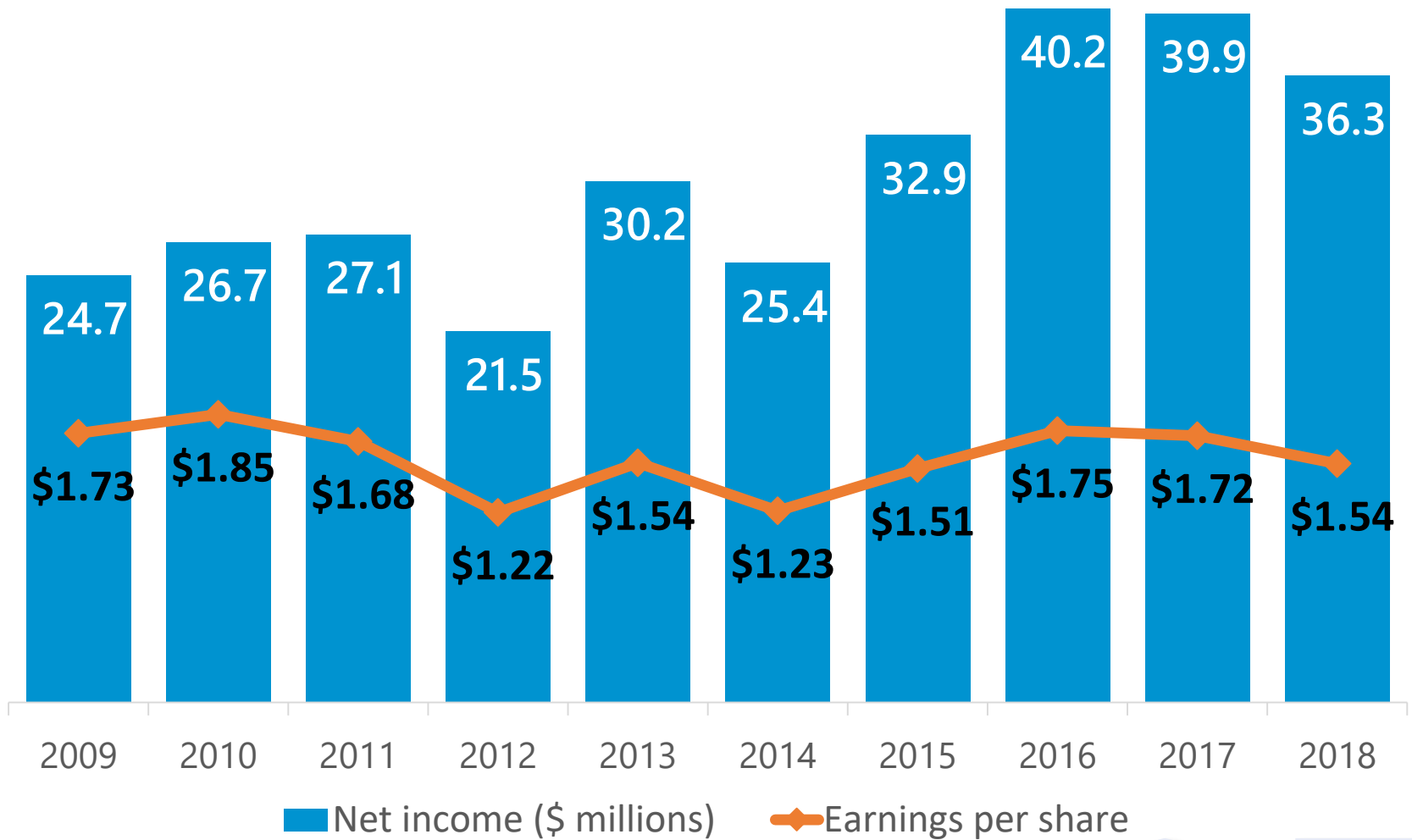
# DEPOSIT FUNDING

## MCAN's Term Deposits:

- Since 1993
- Non-redeemable prior to maturity
- Eligible for CDIC insurance coverage
- \$920 million at December 31, 2018
- 18.7 months average term to maturity



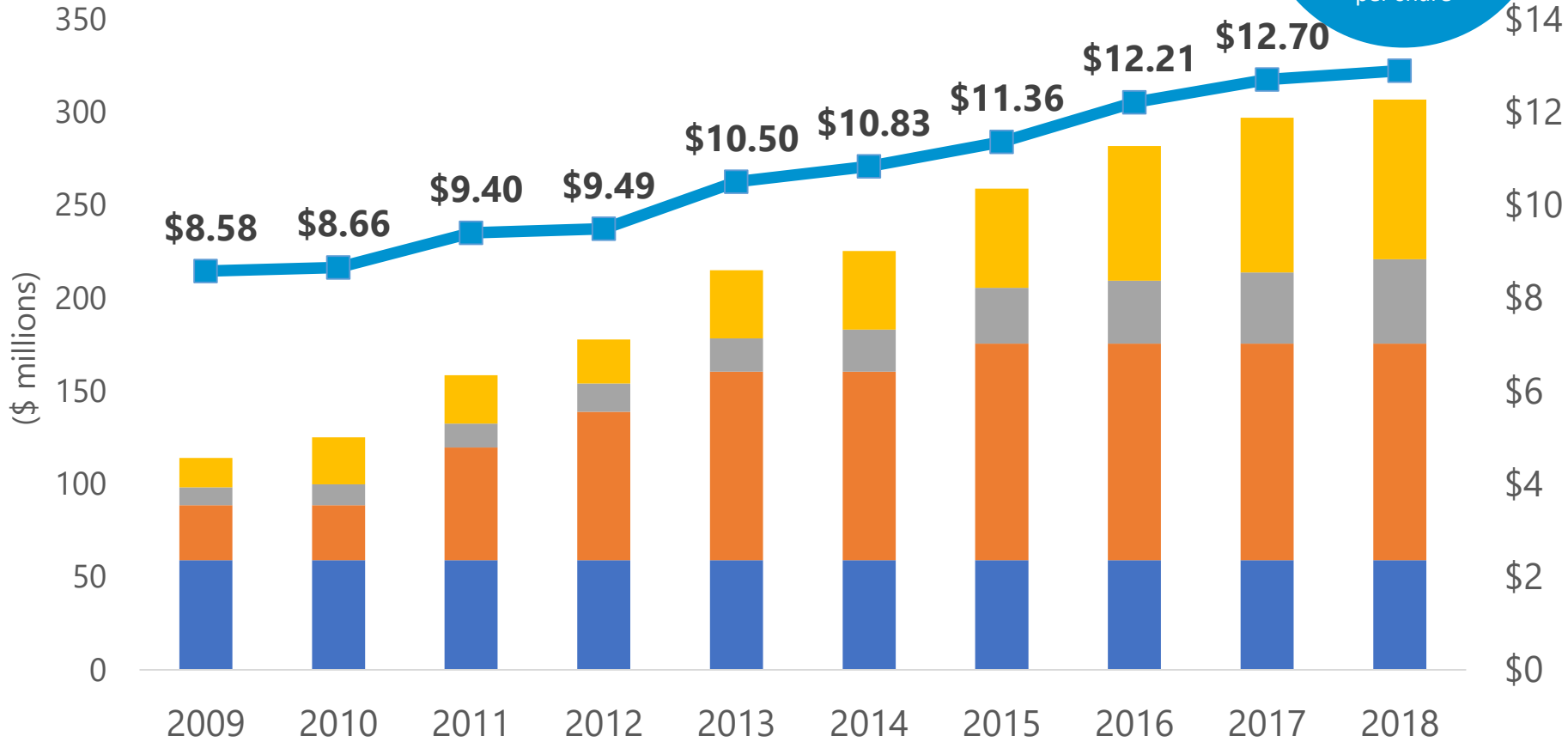
# 10 YEAR HISTORY OF NET INCOME AND EARNINGS PER SHARE



# MCAN'S CAPITAL HISTORY

10 Year History - Capital Growth and Book Value per share

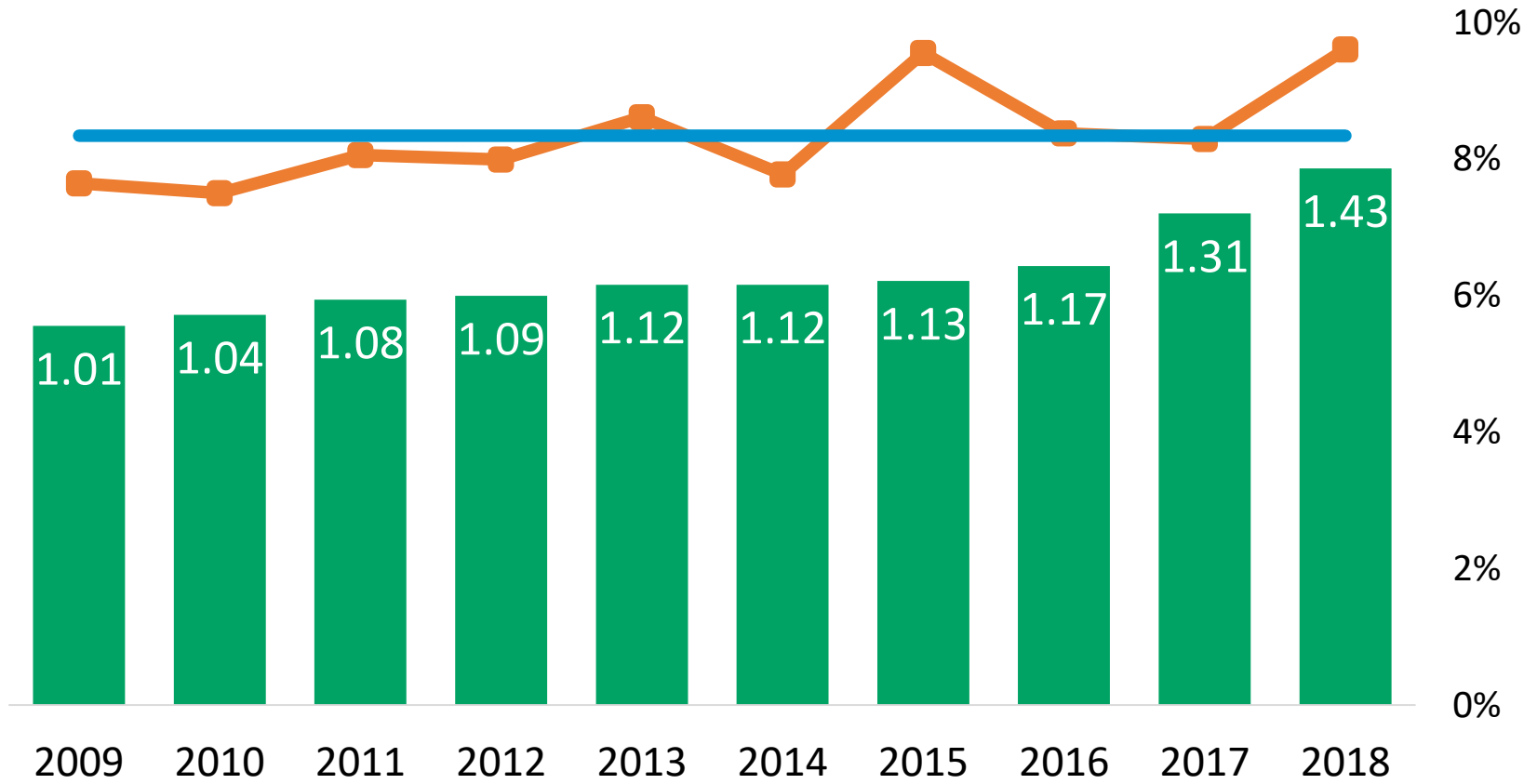
DEC 2018  
book value  
**\$12.89**  
per share



- Base equity
- Rights offerings, market deals
- DRIP & ESPP
- Retained earnings
- Book value per common share

# 10 YEAR HISTORY DIVIDEND GROWTH & YIELD

Avg yield  
**8.34%**  
10yr



■ Regular Dividend    ■ Dividend Yield    — 10 Yr Avg. Yield

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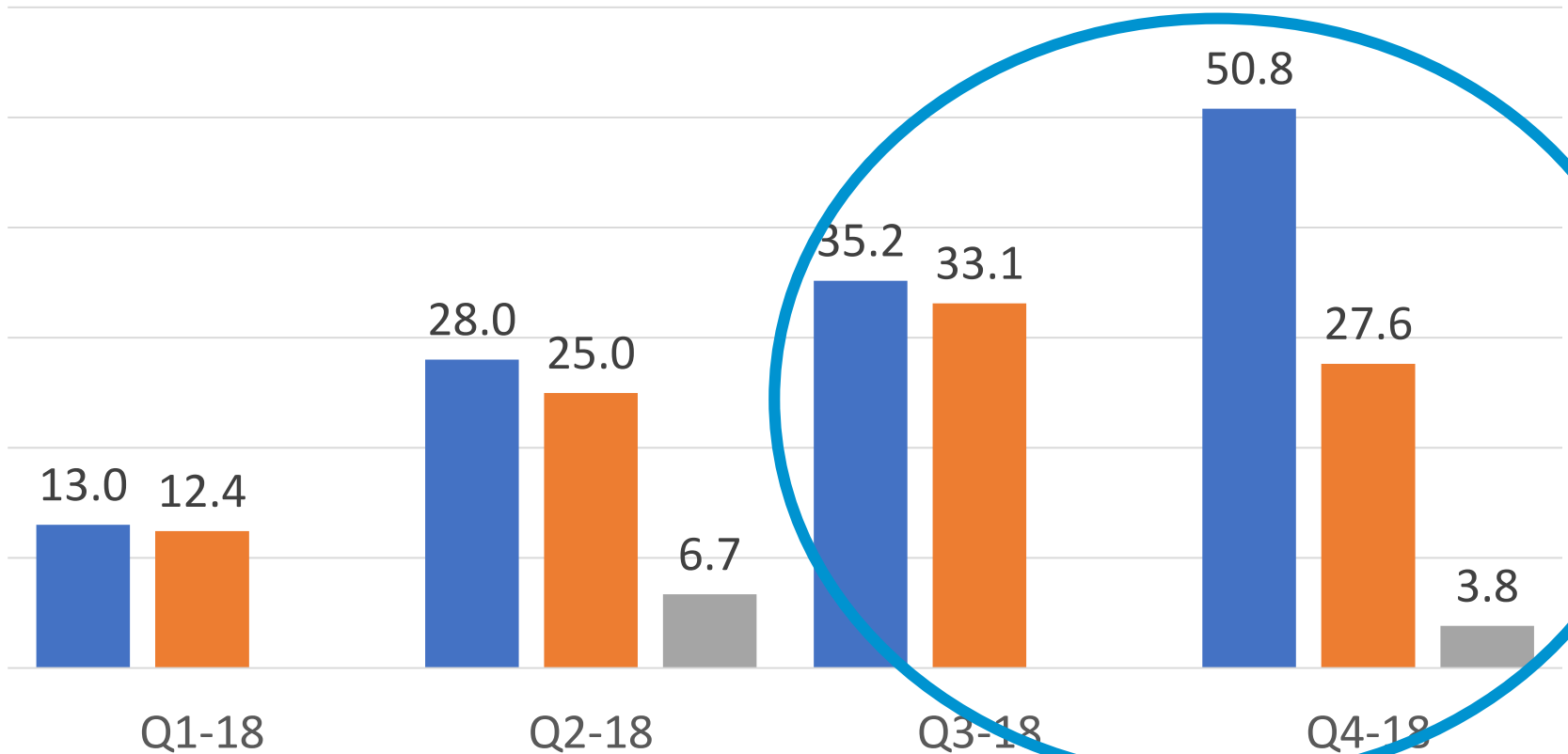
# 2018 YEAR IN REVIEW

# 2018 PERFORMANCE: ASSETS & INCOME

		2018
Corporate Assets	↑	\$1.2 Billion
Net Investment Income	↓	\$48.1 Million
Corporate	↓	\$5.0 Million
Securitization	↓	
Basic and diluted earnings per share	↓	\$1.54
Unrealized gains on REITS	↓	(\$0.15)
Return on average shareholders' equity	↓	11.90%
Book value per common share	↑	\$12.89

# 2018 PERFORMANCE: SINGLE FAMILY ORIGINATIONS

(\$ Millions)

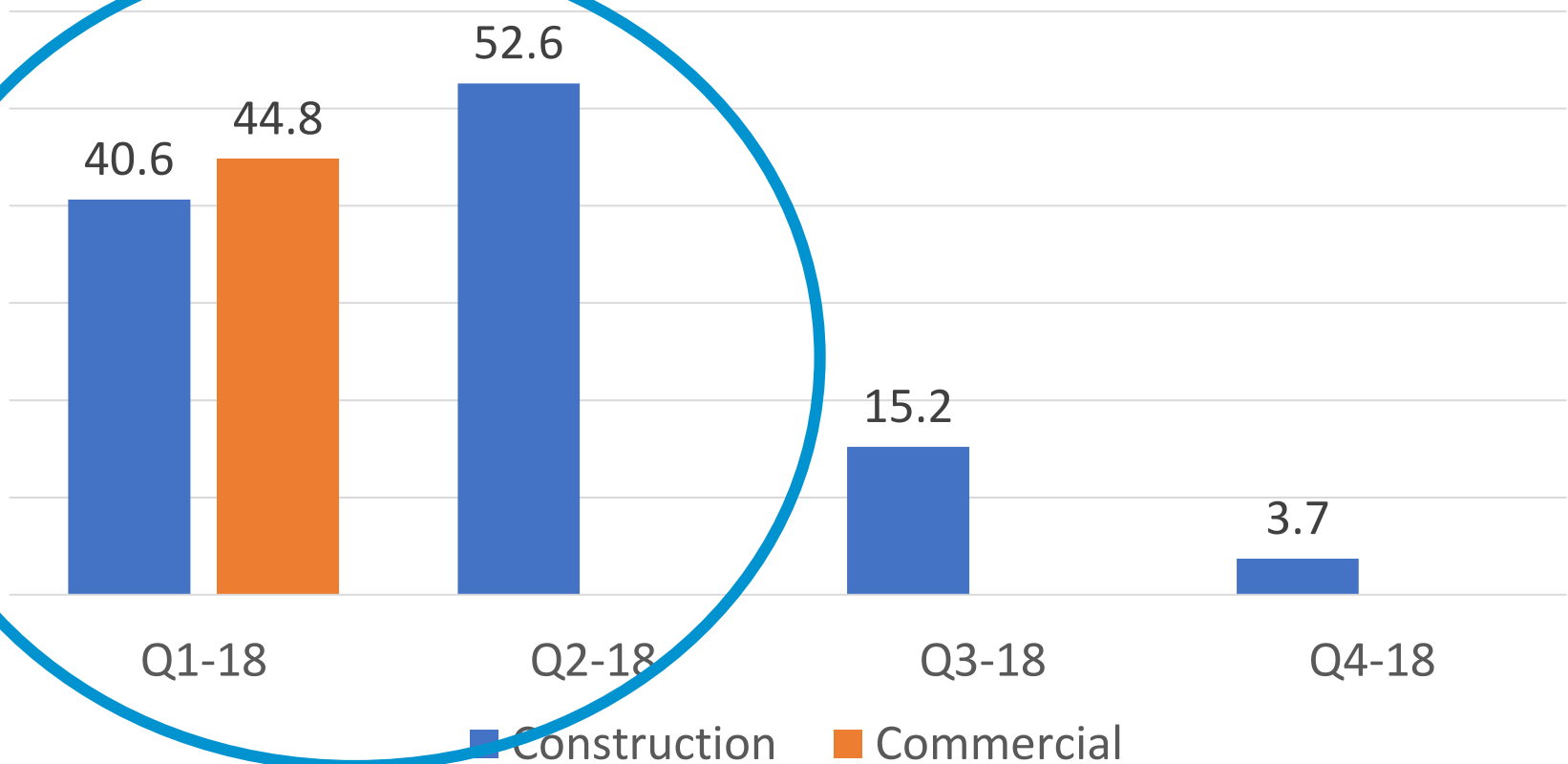


■ SF - uninsured ■ SF - insured ■ SF - uninsured completed inventory

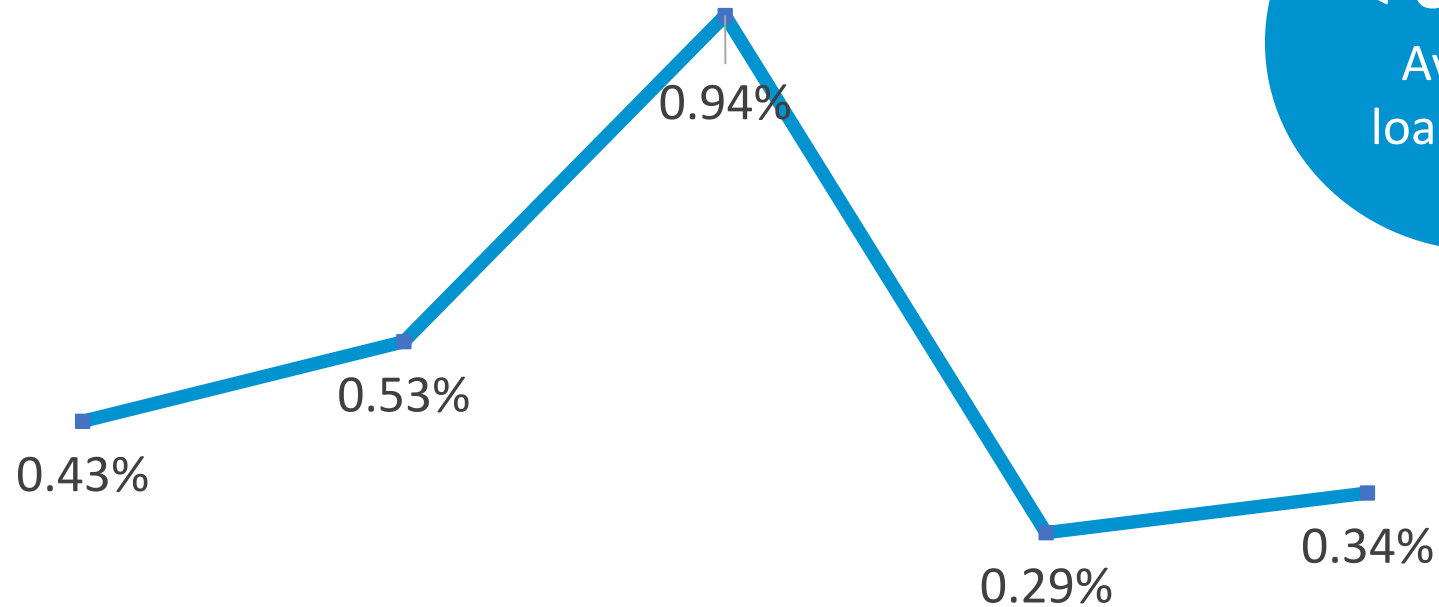


# 2018 PERFORMANCE: CONSTRUCTION & COMMERCIAL ORIGINATIONS

(\$ Millions)



# CORPORATE IMPAIRED RATIO



**< 0.04%**  
Avg. 5yr  
loan losses

Dec  
2014

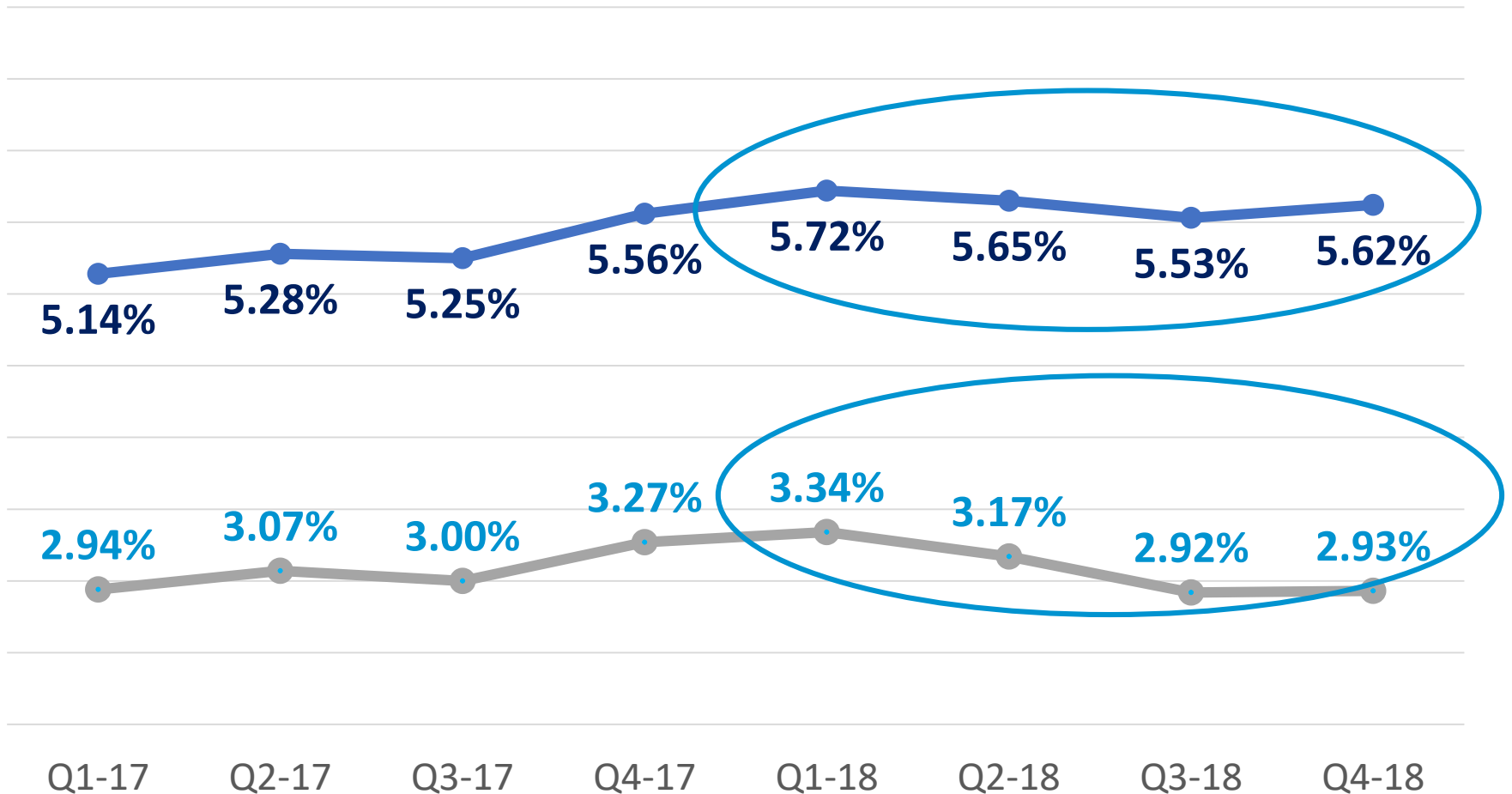
Dec  
2015

Dec  
2016

Dec  
2017

Dec  
2018

# CORPORATE NET SPREAD QUARTERLY TREND



● Avg. corporate mortgage portfolio yield ● Spread of mortgages over term deposits

# 2018 PERFORMANCE OVERALL

- ↑ Stronger balance sheet
- ↑ Asset mix and risk profile
- ↑ Successful marketing and sales
- ↑ Focused improvements on infrastructure
- ↑ Committed, focused, management team

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# FIRST QUARTER 2019 HIGHLIGHTS

# Q1 2019 PERFORMANCE: ASSETS & INCOME

		Q1 2019
Corporate Assets	↑	\$1.26 Billion
Net Investment Income	↑	\$19.0 Million
Corporate	↓	\$1.1 Million
Securitization		
Basic and diluted earnings per share	↑	\$0.60
Return on average shareholders' equity	↑	18.36%
Book value per common share	↑	\$13.18

# Q1 2019 PERFORMANCE: HIGHLIGHTS

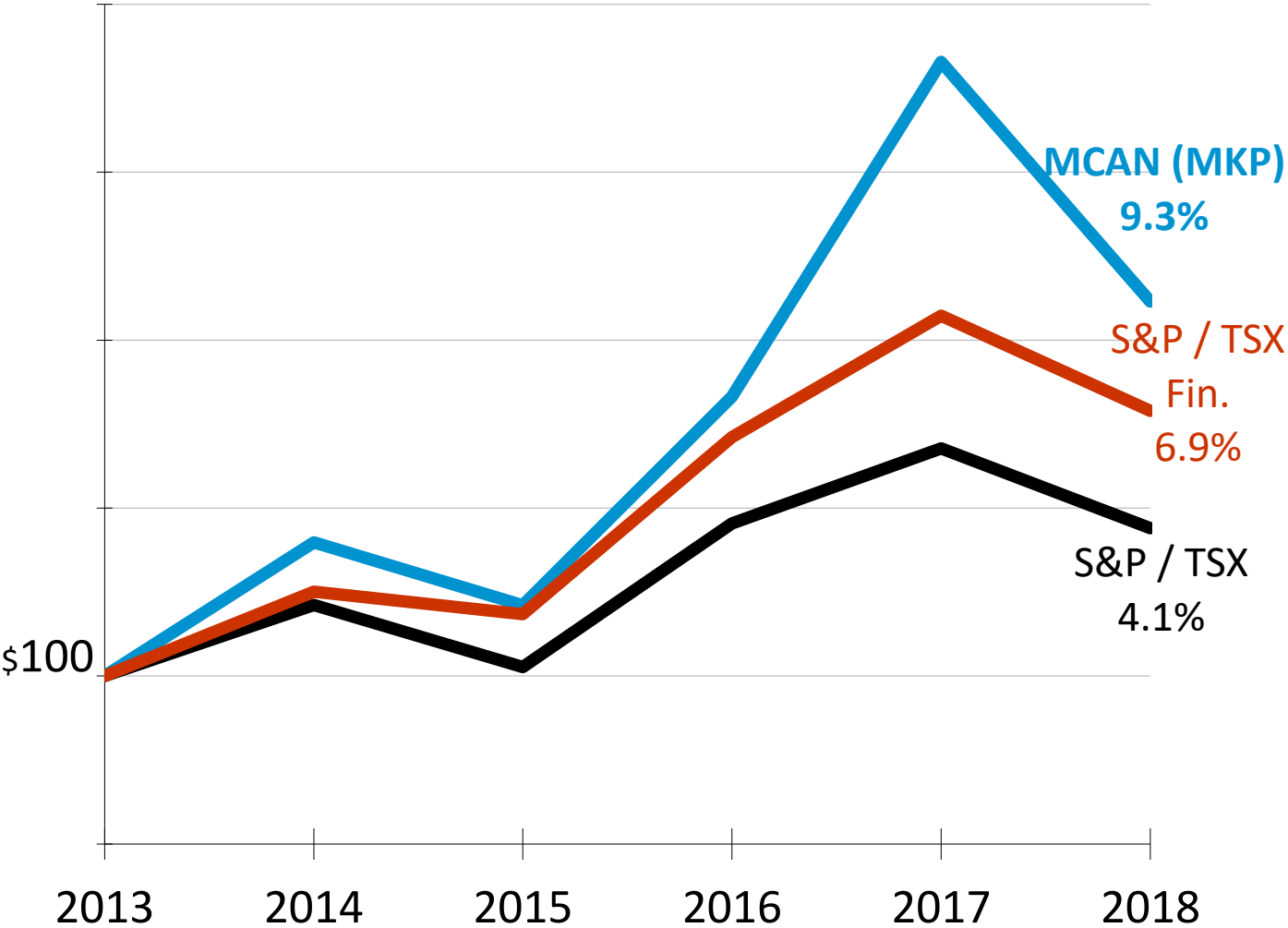
		Q1 2019
USF Balance	↑	\$308 Million
USF Originations	↑	\$63 Million
ISF Originations	↑	\$38 Million
Net Spread	↓	2.73%
Mark to Market Unrealized Gain on securities	↑	\$8 Million

# Q1 2019 PERFORMANCE: CAPITAL, LEVERAGE & DIVIDENDS

		Q1 2019
CET 1	↑	22.08%
Leverage ratio	↑	12.04%
Income tax assets to capital	↑	4.69x
Dividends per share	↓	\$0.32



# MCAN 5 YEAR TOTAL RETURN vs. INDEX



5 year  
**9.3%**  
CAGR

1 year  
**-18.6%**

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# STRATEGY AND OUTLOOK

# 2019 BUSINESS FOCUS

Single Family:

- ↑ Uninsured single family
- ↑ Insured single family and securitization
- ↑ Sales and marketing
- ↑ Underwriting platform



# 2019 BUSINESS FOCUS

Construction & Commercial:

- ↑ Commercial mortgages
- ↑ Increase/maintain Construction mortgages
- ↑ Underwriting and asset management platform

# 2019 BUSINESS FOCUS

Other:

↔ Marketable securities

↔ Non-marketable securities

↔ MCAP

↔ Liquidity and balance sheet management

# LONG TERM OBJECTIVES

- Sustained annual growth of assets 8-10%
- Sustained ROE 13-15%
- Sustained and prudent dividend growth

# LONG TERM OBJECTIVES

Achieved through:

- **Engaged** and committed team
- **Focused** business activities within our risk appetite
- **Efficient** internal operations
- **Strong and valued** partner relationships
- **Strong governance**
- **Agile** response to markets



## M·CAN'S MISSION



- Achieve superior, sustainable and stable growth performance
- Employ expert balance sheet management
- Leverage our investment expertise and relationships



# FOOTNOTES & REFERENCES

- [1] Non IFRS measure as defined in MCAN's Q1 2019 MD&A
- [2] MKP CN Equity - Dividend Indicated Yield – Gross; monthly data April 2009 up to Apr 26, 2019
- CET 1 = Common Equity Tier 1
- Data source of charts: MCAN's Q1-2019 MD&A and historical quarterly and annual reports
- Source of Market Outlook and Business Outlook comments: MCAN's Q1 2019 MD&A
- Corporate Real Estate Investment (pie chart) are as at December 31, 2018
- Dividend chart: Annual totals reflect dividends declared; Q1 2019 dividend paid Mar 29, 2019; Q2 2019 dividend announcement with Q1 results.
- CDIC Insured Deposit Taking slide: Term Deposits balance is as at December 31, 2018
- REIT = Real Estate Investment Trust
- CAGR = Compound Annual Growth Rate

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**THANK YOU**

# CONTACT INFORMATION

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