

INVESTOR PRESENTATION 2019 ANNUAL & Q4

February 26, 2020

MCAN Mortgage Corporation



Karen Weaver
President & Chief
Executive Officer

Dipti Patel
Vice President &
Chief Financial Officer

FORWARD LOOKING INFORMATION

This presentation contains forward-looking information within the meaning of applicable Canadian securities laws. All information contained in this presentation, other than statements of current and historical fact, is forward-looking information. All of the forward-looking information in this presentation 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.

Reference is made to the risk factors disclosed in MCAN’s Management’s Discussion and Analysis of Operations for the year ended December 31, 2019 which can be found on SEDAR or at www.mcanmortgage.com. 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.

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2. Investment Strategy
3. 2019 Highlights
4. Mission and Objectives

BUSINESS OVERVIEW

MCAN BUSINESS

MIC Structure

Diversified, quality, real estate mortgages, investments

+

Low- Cost Funding

Conservative leverage with deposits eligible for CDIC Insurance, other funding sources

+

Effective Operations

Balance Sheet and Business Process Optimization

=

Sustainable Growth

- Earnings
- Book value
- Capital

→

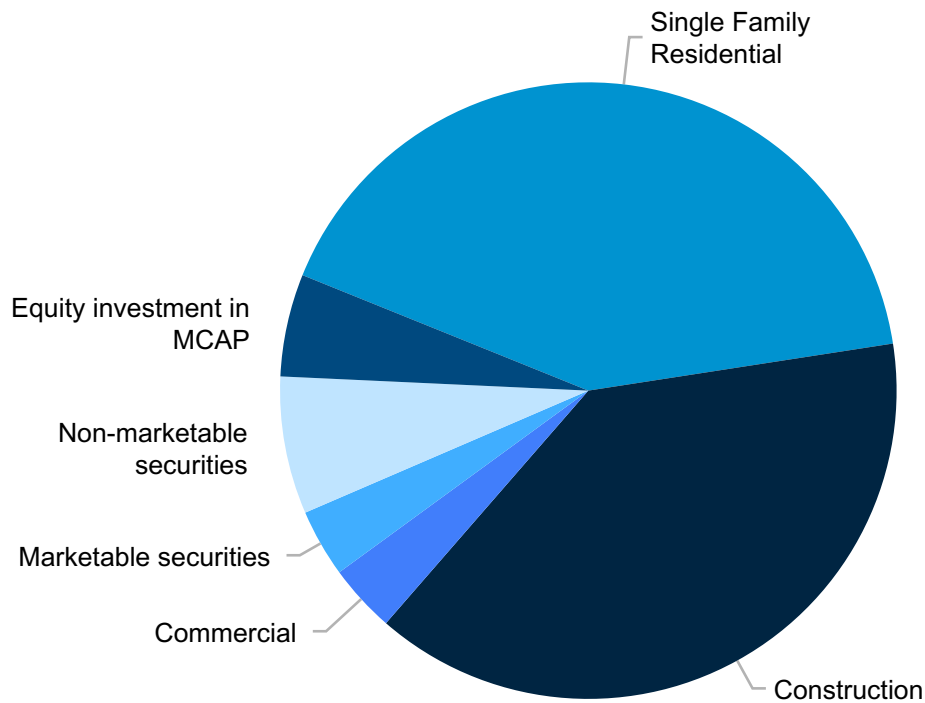
Shareholder Value

- Improving ROE
- Growth in dividends
- Total Shareholder returns

Our focus since founding in 1991

DIVERSIFIED QUALITY REAL ESTATE INVESTMENTS

MCAN'S Real Estate Investments



\$1.36
Billion Total
Corporate
Assets

\$2.18
Billion
Total Assets

- 10.7 months average term to maturity of the corporate mortgage portfolio
- Data presented as at December 31, 2019

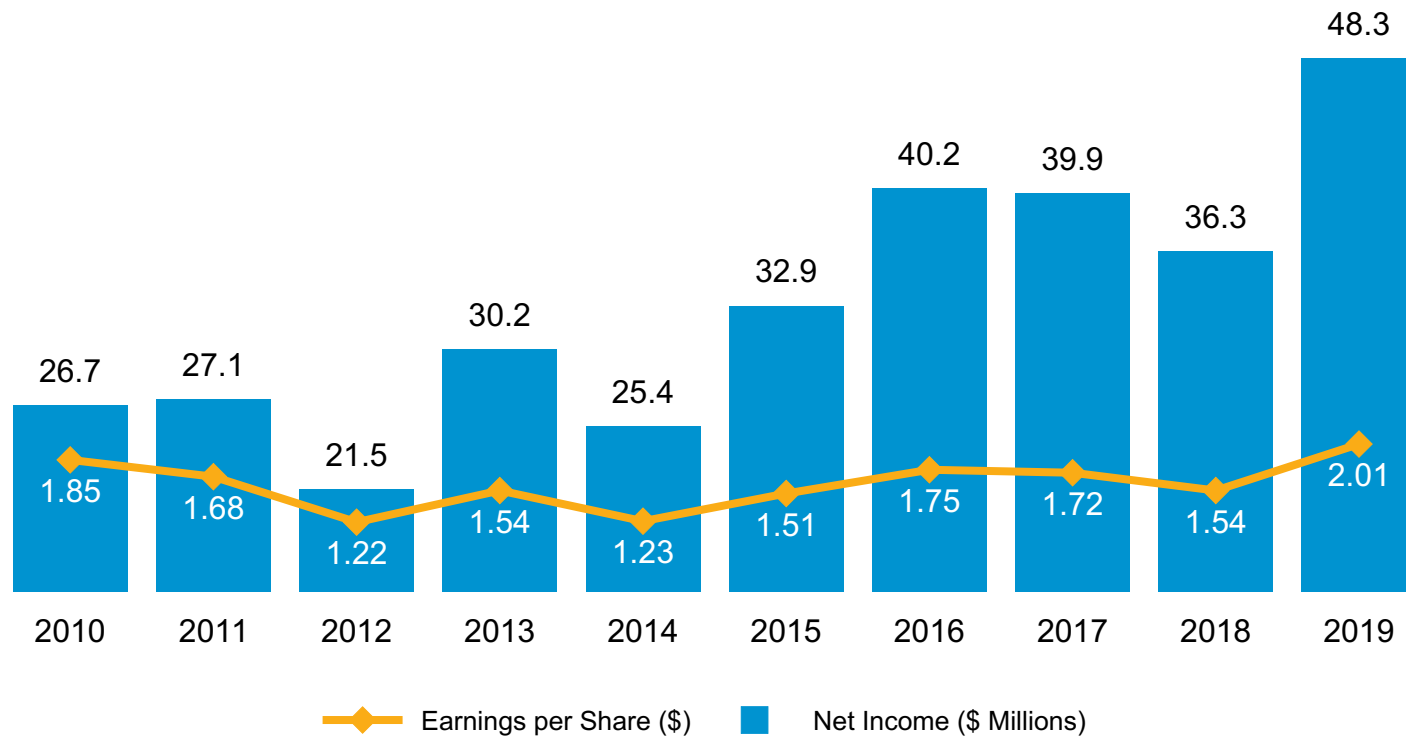
DEPOSIT FUNDING

MCAN's Term Deposits:

- Since 1993
- Non-redeemable prior to maturity
- Eligible for CDIC insurance coverage
- \$1,034 million at December 31, 2019
- 18.4 months average term to maturity



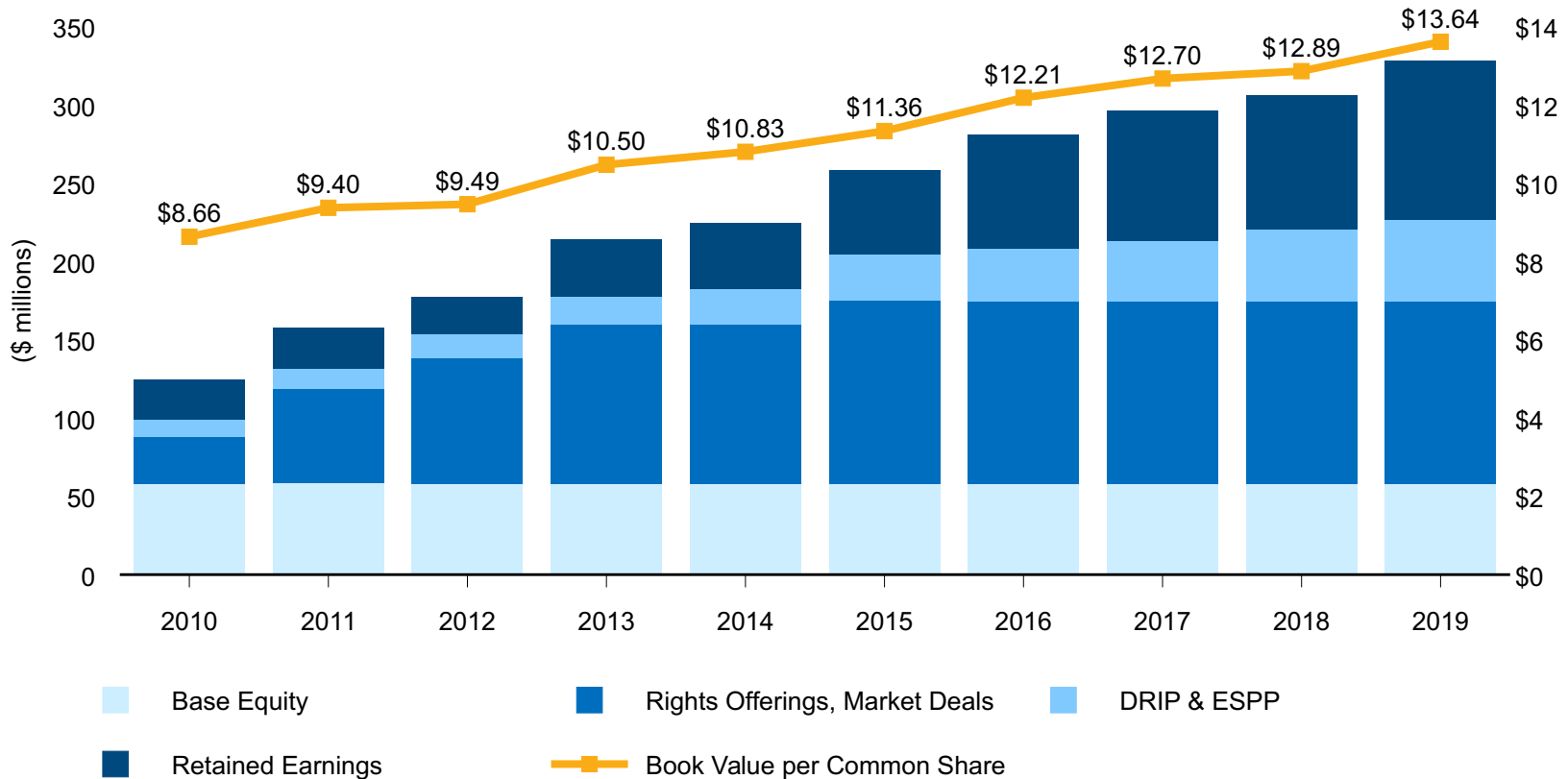
10 YEAR HISTORY OF NET INCOME AND EARNINGS PER SHARE



MCAN'S CAPITAL HISTORY

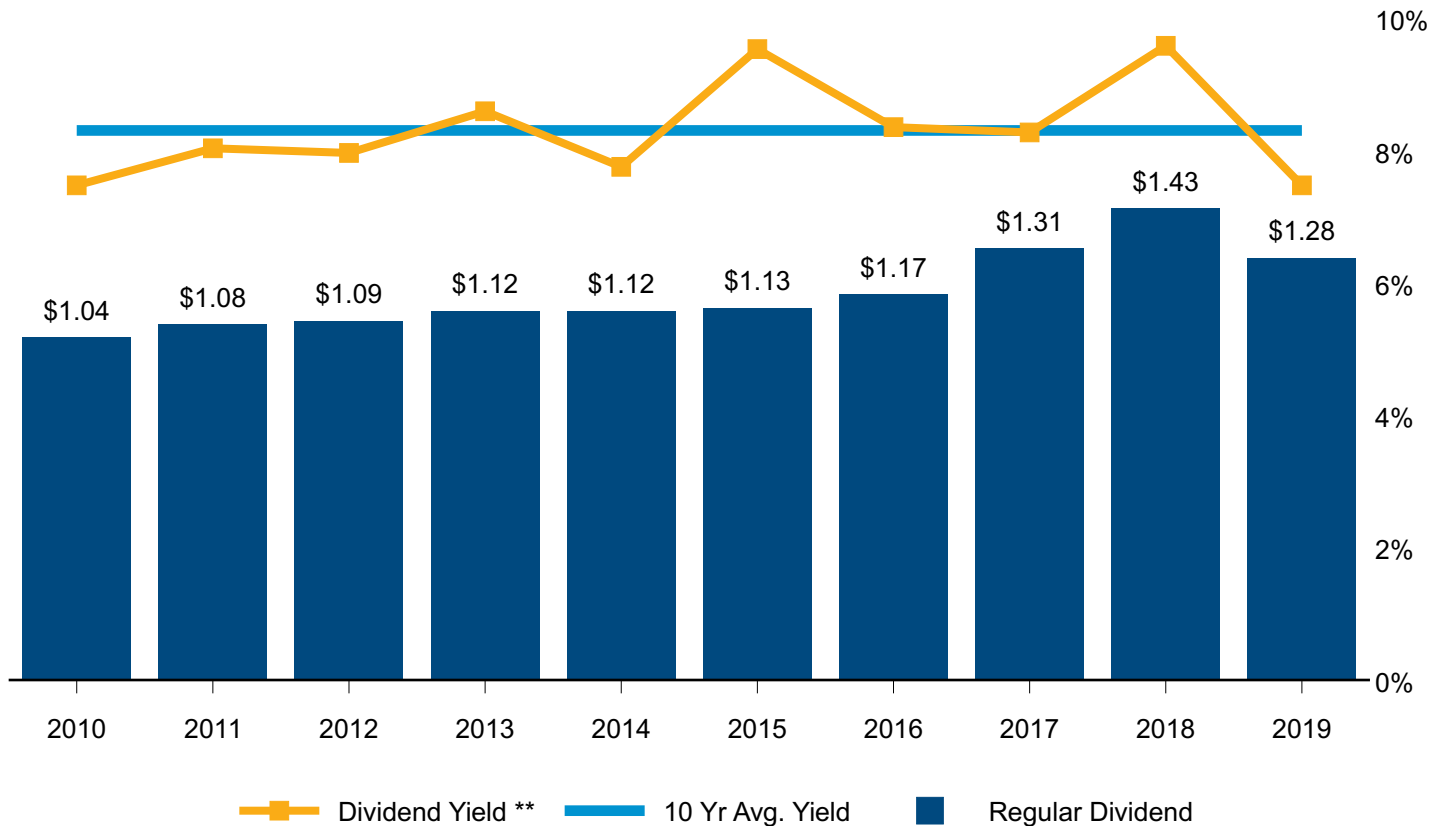
10 Year History - Capital Growth and Book Value per Share

Q4 2019
book value
\$13.64
per share



10 YEAR HISTORY DIVIDEND GROWTH & YIELD

Avg yield**
8.33%
10yr



** MKP CN Equity - Dividend Indicated Yield – Gross; monthly data 2010 to 2019

INVESTMENT STRATEGY

INVESTMENT STRATEGY

MCAN is a strategic investor in the Canadian real estate market with a diversified portfolio of mortgages, real estate secured lending products and equity investments

- MIC focus is investments in residential mortgages and residential construction loans
- Focus on first time / first move-up home buyers characterized by:
 - lower price points and product
 - lower price volatility
 - steady product absorption based on demographics
- Predominantly major urban and surrounding markets
- Portfolio yield enhanced through select commercial loans and real estate related investments

INVESTMENT STRATEGY

Diversification is a key component of MCAN's overall risk profile and strategy

- MCAN's portfolio is diversified by:
 - asset category
 - product type
 - origination source
 - geographic and market segments
 - borrowers
- Portfolio composition is actively monitored and adjusted for:
 - changes in MCAN's overall risk profile and risk appetite
 - shifts in specific portfolio concentrations
 - emerging market risks and opportunities
 - changes in the competitive landscape
 - changing economic indicators

INVESTMENT STRATEGY

Residential Construction Approach

MCAN uses lending discipline to effectively mitigate and manage risks inherent in residential construction lending

- Invest in markets where deep experience and knowledge exists
- Leverage strategic relationships to provide added market and work-out expertise
- Prefer markets where an approved originator has "boots on the ground"
- Target experienced borrowers with a successful track record of project completion and loan repayment
- Presales and other prudent loan structuring
- Strategic use of select land development loans as a "feeder product"
- Life cycle of construction lending commences with site acquisition

INVESTMENT STRATEGY

Strategic Partner Model

- MCAN selects strategic partner relationships with a clear alignment of interests, market approach and risk perspective
- MCAN leverages its in house expertise in loan origination and underwriting
- Strategic partners provide servicing and work-out expertise

2019 ANNUAL & Q4 HIGHLIGHTS

2019 PERFORMANCE: HIGHLIGHTS

		2019	2018
Net Income	↑	\$48.3 million	\$36.3 million
Net Investment Income			
Corporate	↑	\$64.9 million	\$50.1 million
Securitization	↓	\$4.0 million	\$5.0 million
Spread of Corporate Mortgages over Term Deposit Interest and Expense*	↓	2.62%	3.07%
Basic and Diluted Earnings per Share	↑	\$2.01	\$1.54
Return on Average Shareholders' Equity*	↑	15.11%	11.90%

- 2019 \$14.0 million net gain on securities (MTM on REIT portfolio and investment in Crown LP) vs. 2018 \$0.5 million net loss on securities (MTM on REIT portfolio and investment in Crown LP)
- Average corporate mortgage portfolio yield* decreased to 5.41% in 2019 from 5.62% in 2018, primarily due to re-balancing of risk profile of the balance sheet and increased market competition
- Weighted average term deposit interest and expense* rates increased to 2.79% in 2019 from 2.55% in 2018, primarily due to the increase in term deposit funding and related costs

* Non IFRS measure as defined in MCAN's 2019 MD&A

2019 PERFORMANCE: QUARTERLY HIGHLIGHTS

	QoQ	Q4 2019	Q3 2019	Q2 2019	Q1 2019
USF Balance	↑	\$383 million	\$364 million	\$345 million	\$308 million
USF Originations	↑	\$57 million	\$46 million	\$56 million	\$63 million
ISF Originations	↓	\$60 million	\$77 million	\$57 million	\$38 million
Corporate Assets	↓	\$1.36 billion	\$1.37 billion	\$1.26 billion	\$1.26 billion
Book Value per Common*	↑	\$13.64	\$13.53	\$13.23	\$13.18

* Non IFRS measure as defined in MCAN's 2019 MD&A

- USF portfolio increased \$19 million (5%) from Q3 2019 and \$127 million (50%) from 2018
- USF originations increased \$11 million (24%) from Q3 2019 and \$101 million (84%) from 2018
- ISF originations decreased \$17 million (22%) from Q3 2019 and increased \$130 million (127%) from 2018

2019 PERFORMANCE: CAPITAL, LEVERAGE & DIVIDENDS

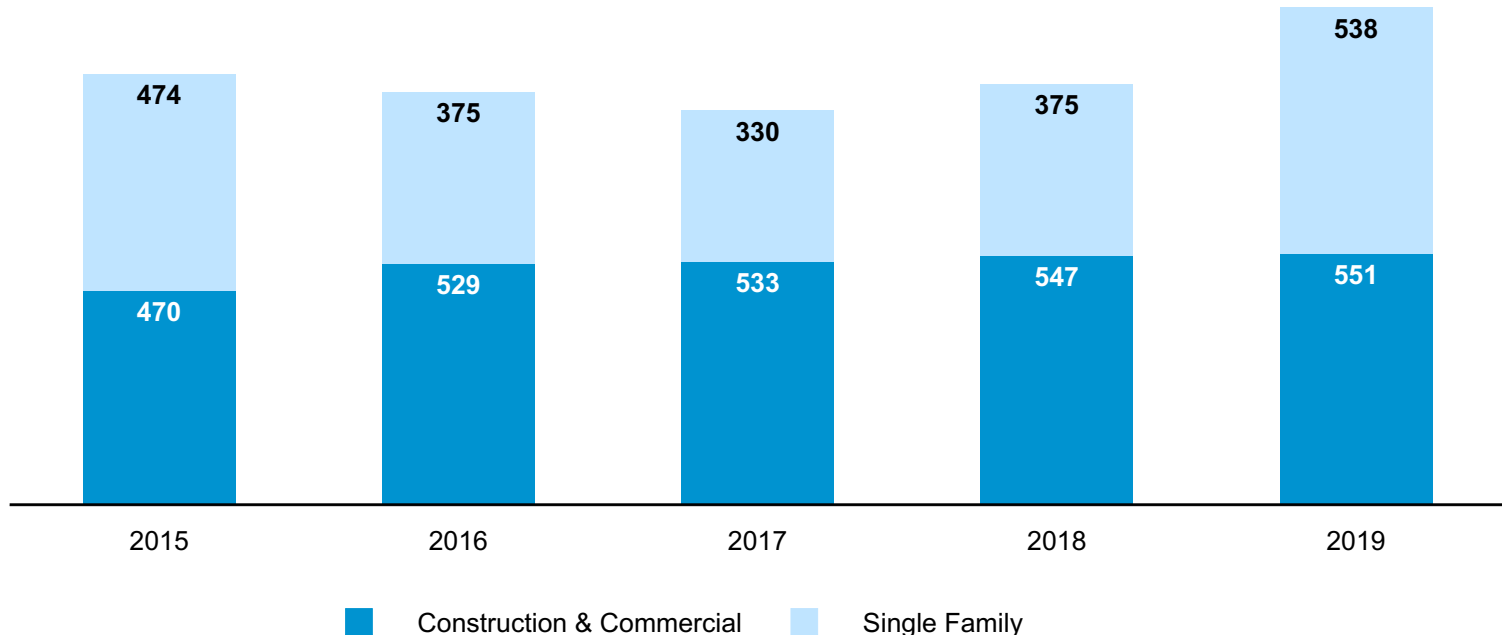
	QoQ	Q4 2019	Q3 2019	Q4 2018
CET 1*	↑	22.52%	21.77%	21.66%
Leverage Ratio*	↑	12.58%	12.28%	11.79%
Income Tax Assets to Capital Ratio*	↓	4.93	5.13	4.64
Dividends per Share	↔	\$0.32	\$0.32	\$0.32

* Non IFRS measure as defined in MCAN's 2019 MD&A

- MCAN is well positioned to adapt to business opportunities and challenges in 2020, having sound capital and leverage positions

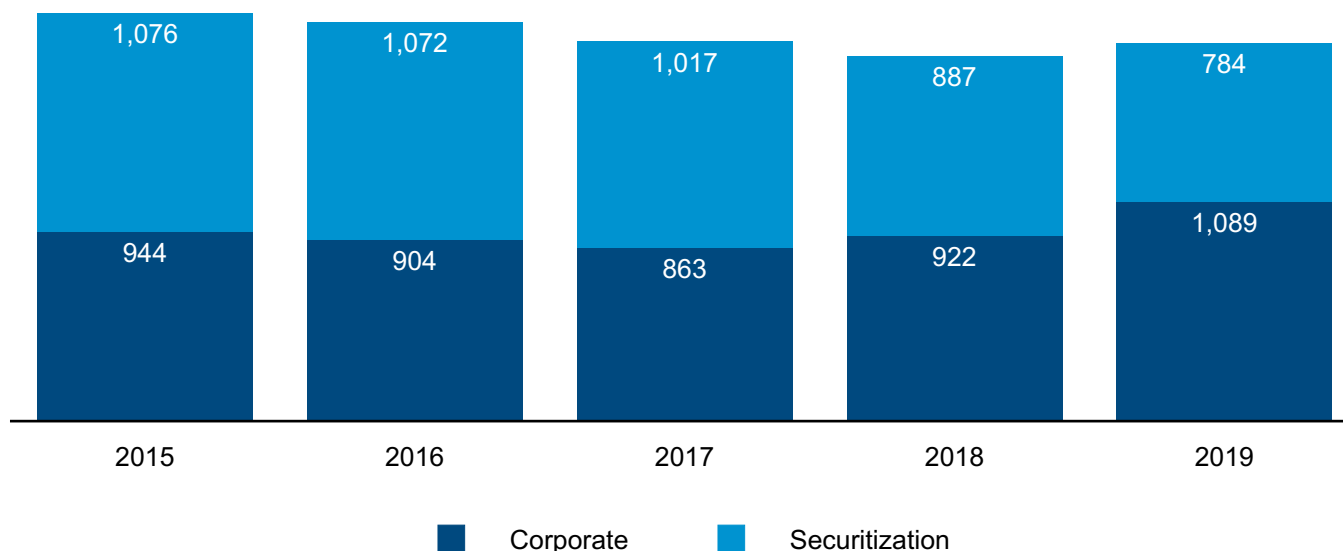
CORPORATE MORTGAGE PORTFOLIO

Total Corporate Mortgages - Single Family and
Construction & Commercial
(\$ millions)



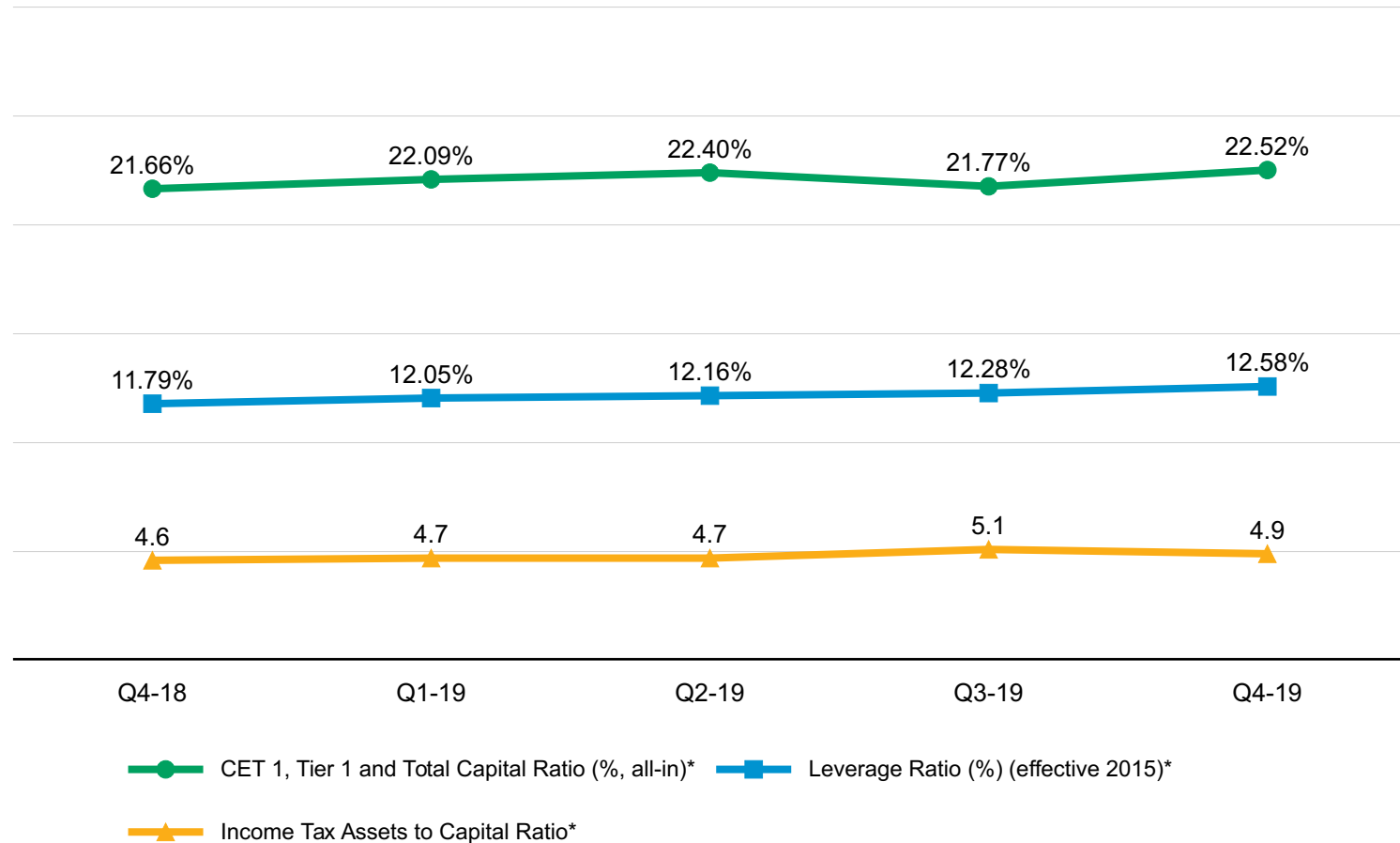
TOTAL MORTGAGE PORTFOLIO

Mortgages - Corporate and Securitization
(\$millions)



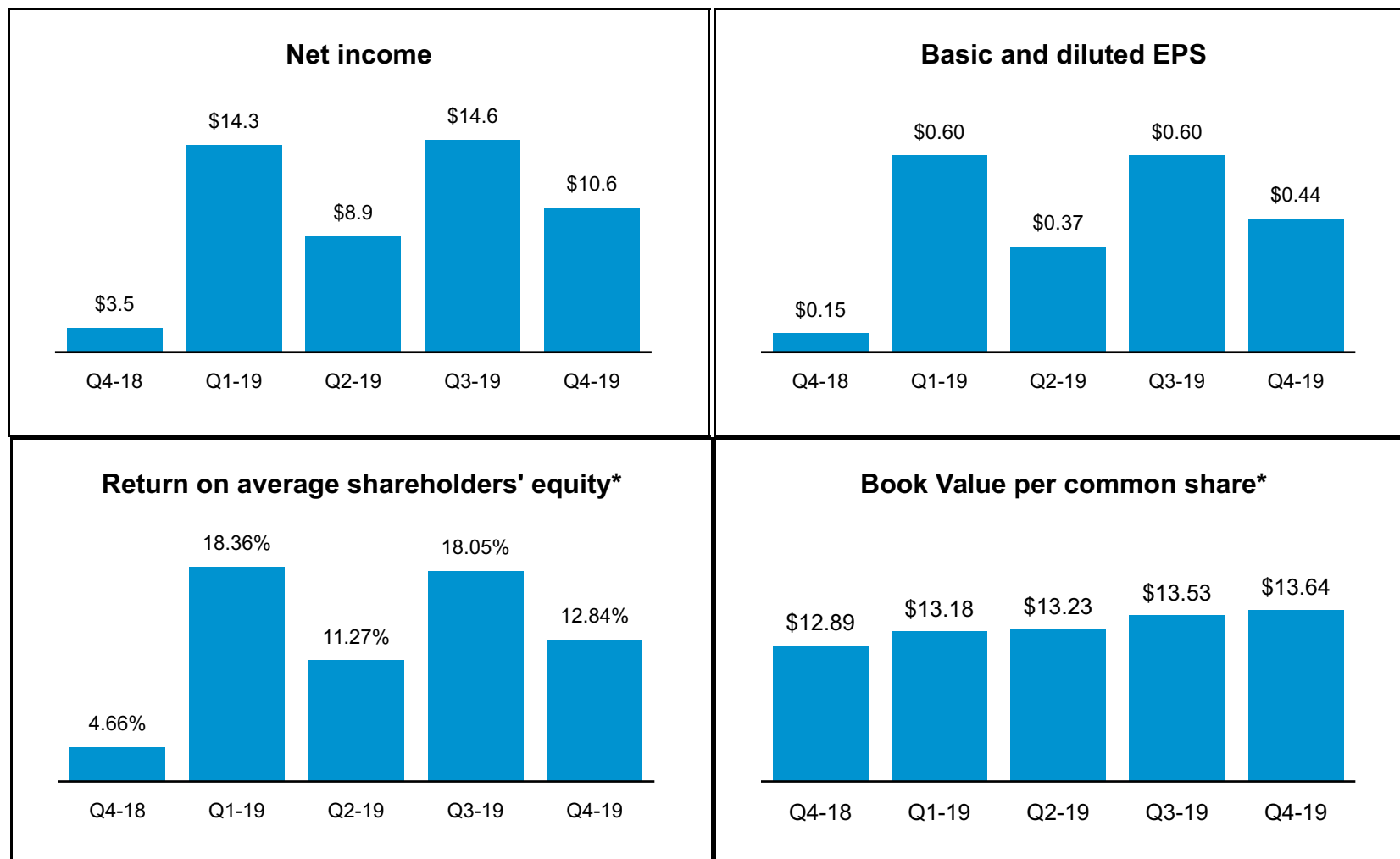
(\$ millions)	2019	2018	Change	2017	Change
Single Family	\$ 538	\$ 375	43 %	\$ 330	63 %
Construction & Commercial	\$ 551	\$ 547	1 %	\$ 533	3 %
Total Corporate Mortgages	\$ 1,089	\$ 922	18 %	\$ 863	26 %
Securitization	\$ 784	\$ 887	(12)%	\$ 1,017	(23)%
Total	\$ 1,873	\$ 1,809	4 %	\$ 1,880	— %

STRONG CAPITAL POSITION



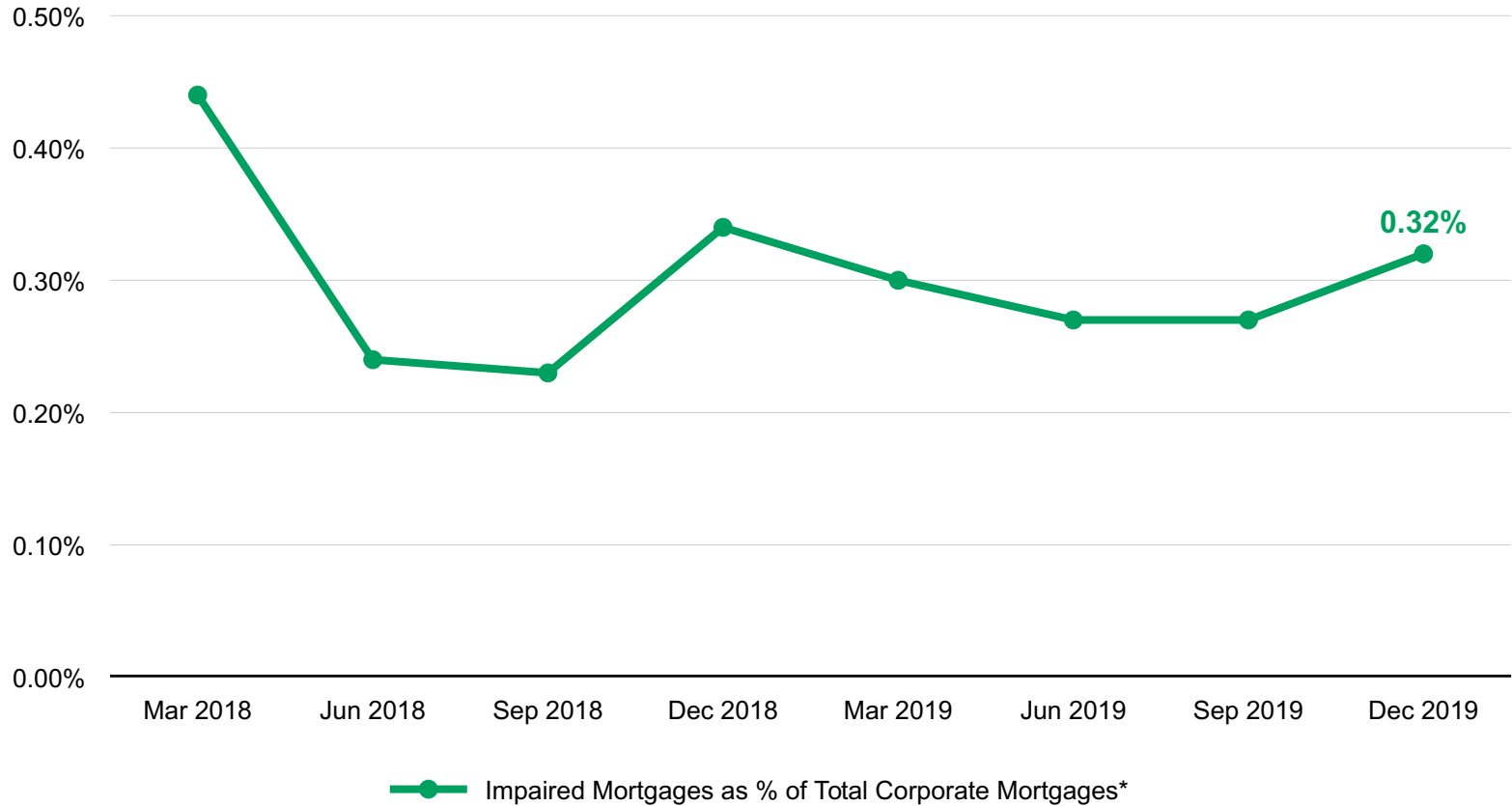
* Non IFRS measure as defined in MCAN's 2019 MD&A

KEY METRICS: QUARTERLY TREND CHARTS



* Non IFRS measure as defined in MCAN's 2019 MD&A

CREDIT QUALITY & RISK MANAGEMENT



* Non IFRS measure as defined in MCAN's 2019 MD&A

MCAN'S MISSION AND OBJECTIVES



MCAN'S MISSION



- Provide sustainable growth and returns for our shareholders:
 - through relationship-driven mortgage lending and investing
 - anchored by quality work delivered by an expert, engaged and committed team
 - focused on our customers (internal and external) and partners

LONG TERM OBJECTIVES

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

EXECUTIVE MANAGEMENT

Karen Weaver

President and Chief Executive Officer

Dipti Patel

Vice President and Chief Financial Officer

Martin Beaudry

Vice President, Single Family Mortgage Operations

Carl Brown

Vice President, Investments

Emily Randle

Vice President and Chief Risk Officer

Mike Jensen

Vice President and Chief Compliance Officer
(Chief Anti Money Laundering & Privacy Officer)

Sylvia Pinto

Vice President, Corporate Secretary &
Governance Officer

Milica Pejic

Vice President and Chief Audit Officer

Paul Gill

Vice President, Information Technology

Footnotes and References

- [*] Non IFRS measure as defined in MCAN's 2019 MD&A
- [**] MKP CN Equity - Dividend Indicated Yield – Gross; monthly data 2010 to 2019
- CET 1 = Common Equity Tier 1
- Data source of charts: MCAN's 2019 MD&A and historical quarterly and annual reports
- Source of Market Outlook and Business Outlook comments: MCAN's 2019 MD&A

Contact Information



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