PRESS RELEASE
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Stock market symbol
TSX: MKP

MCAN MORTGAGE CORPORATION ANNOUNCES FOURTH QUARTER EARNINGS

Toronto, Ontario – February 23, 2018. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") announced net income of $10.8 million ($0.47 per share) for the fourth quarter ended December 31, 2017, up from $9.0 million ($0.39 per share) in Q4 2016. Net income for fiscal 2017 was $39.9 million, down slightly from record net income of $40.2 million earned in fiscal 2016.

Highlights

Net Income

Q4 2017

- Net income was $10.8 million in Q4 2017, an increase of $1.8 million (20%) from $9.0 million in Q4 2016. The increase was driven by higher equity income from MCAP Commercial LP ("MCAP") and income from financial investments and other loans, partially offset by higher operating expenses.
- Earnings per share increased by $0.08 (21%) to $0.47 in Q4 2017 from $0.39 in Q4 2016.
- Return on average shareholders' equity increased to 14.63% in Q4 2017 from 12.94% in Q4 2016.

Fiscal 2017

- For fiscal 2017, net income was $39.9 million compared to $40.2 million in 2016.
- Earnings per share totalled $1.72 in fiscal 2017, comparable to $1.75 per share in fiscal 2016.
- Return on average shareholders' equity was 13.75% in fiscal 2017 compared to 14.74% in fiscal 2016.
- Positive net income variances from fiscal 2016 include higher income from financial investments and other loans and equity income from MCAP, offset by lower corporate mortgage interest, lower fees and higher operating expenses in fiscal 2017.
- Our equity investment in MCAP continued to provide solid equity income of $14.4 million, up from $13.5 million in 2016.
- Income from financial investments and other loans, relating primarily to our investments in the Crown Realty II Limited Partnership ("Crown LP") and the KingSett High Yield Fund, increased by $2.5 million (39%) to $9.0 million in fiscal 2017 from $6.5 million in fiscal 2016.

Dividend

- Consistent with the prior quarter, the Board of Directors (the "Board") declared a first quarter dividend of $0.37 per share to be paid on March 29, 2018 to shareholders of record as of March 15, 2018.

Corporate Activity

Q4 2017

- Corporate assets totalled $1.18 billion as at December 31, 2017, an increase of $35 million from $1.15 billion at September 30, 2017. Q4 2017 activity included increases of $20 million in cash, $8 million in financial investments, $5 million in marketable securities and $4 million in our equity investment in MCAP.
- The corporate mortgage portfolio decreased slightly during Q4 2017 to $863 million from $867 million, which included a decrease of $9 million in completed inventory loans and an increase of $6 million in commercial loans.
- Accumulated other comprehensive income increased by $4.6 million during Q4 2017 as a result of increases in the fair value of our marketable securities portfolio and our investment in Crown LP.

Fiscal 2017

- Corporate assets decreased slightly during fiscal 2017 to $1.18 billion from $1.19 billion. Corporate mortgages decreased by $41 million, offset by increases of $11 million in financial investments, $8 million in our equity investment in MCAP, $7 million in marketable securities and $6 million in cash.
- The decrease in the corporate mortgage portfolio includes decreases of $50 million in uninsured single family and $28 million in insured single family, partially offset by increases of $33 million in completed inventory loans and $4 million in construction loans.

Credit Quality

Q4 2017

- Impaired mortgages improved to $2.5 million from $3.5 million during Q4 2017.
- The impaired total mortgage ratio decreased to 0.09% from 0.14% during Q4 2017.
- The impaired corporate mortgage ratio decreased to 0.20% from 0.31% during Q4 2017.
- Total mortgage arrears improved to $18 million from $19 million during Q4 2017. The December 31, 2017 balance consists entirely of single family mortgages, $5.9 million of which were uninsured.

Fiscal 2017

- Net write-offs were 5.7 basis points of the average corporate portfolio in fiscal 2017 compared to 2.4 basis points in fiscal 2016.
- The average loan to value ratio ("LTV") of our uninsured single family portfolio based on an industry index of current real estate values was 52.6% at December 31, 2017, improved from 56.5% at December 31, 2016.

Capital

- Our Common Equity Tier 1, Tier 1 and Total Capital to risk-weighted assets ratios were 21.53% on the transitional basis and 21.26% on the "all-in" basis at December 31, 2017 compared to 22.98% and 22.55%, respectively, at December 31, 2016.
- Our leverage ratio was 11.31% as at December 31, 2017 compared to 10.46% at December 31, 2016.
- Income tax asset capacity was $287 million at December 31, 2017 compared to $209 million at December 31, 2016. This balance represents the additional amount of corporate assets in which we could invest within the rules of the *Income Tax Act (Canada)* (the "Tax Act") that govern leverage for mortgage investment corporations.

Outlook

Market conditions

Housing markets are expected to face headwinds as a result of recent regulations enacted by the Federal and Ontario governments to cool down real estate markets and mortgage lending in Canada. Additionally, consumers are also facing a rising interest rate environment. After two interest rate hikes in 2017 and one in January 2018, the Bank of Canada will continue to monitor economic conditions before considering future interest rate increases. Recent reporting of job losses may add to the concerns over economic growth.

Canadian residential real estate markets continue to have a mixed performance as regional markets adjust to local economic conditions. The Prairie Provinces have demonstrated some stabilization following the strengthening of oil prices. Other regional economies previously benefited from the lower Canadian dollar, which helped to strengthen employment in the manufacturing sector. These regional economies are now facing a relatively strong Canadian dollar, with forecasts for strong Canadian GDP supporting higher interest rates.

Ontario and British Columbia have continued to exhibit strong fundamentals, with GDP growth driven by exports and immigration. We continue to focus our origination in Ontario and British Columbia and selectively lend in Alberta.

Announced increases in immigration levels by the Federal government are expected to positively impact housing markets, particularly those that are supply-constrained such as Toronto and Vancouver.

Real estate conditions

We expect Canadian housing market conditions to be volatile in 2018. Markets are adjusting to an unprecedented level of regulatory and policy changes affecting mortgage insurance rules, foreign buyer taxes, underwriting requirements for regulated lenders and rising interest rates. It will take another 6 months to see the full impact of these changes on housing sale volumes and prices. We expect home sale levels to slow considerably in Ontario, as buyers react to the uncertainty caused by the multiple rule changes, with significant increases in the number of days listings are on the market and marked decreases in sales volumes. We expect to see some level of weakness in resale markets as markets adjust to fewer buyers and more available listings.

Actual sales activity in the Greater Toronto Area (“GTA”) was down 22.5% in January 2018 compared to January 2017. In line with reduced sales, the average price in January 2018 was 4.1% less than the average price in January 2017.

The GTA saw existing home sales decrease by over 29% in the second half of 2017 (compared to 2016) following the Government of Ontario’s announced reforms to rental and housing markets. We expect the negative impact of the announced changes to impact the market for the first half of 2018, similar to what occurred in the Greater Vancouver Area (“GVA”) market. Notwithstanding the slowdown in the resale market, the GTA set a record in new condominium apartment sales in 2017, while having a record low in available inventory at year end.

With regards to the GVA, demand is currently outpacing supply. There continues to be a lack of inventory in the market, which has and will continue to push prices upward. We expect the volumes and pricing on new home sales in the GVA to be steady due to a low supply of housing lots against demand.

We believe that there is an increased risk of a price correction in the GTA residential housing market through 2018, as prices adjust from historical highs. We will continue to operate with more conservative underwriting and credit policies relative to the market for uninsured mortgages through this market transition.

Regulatory Changes

Revised Guideline B-20, *Residential Mortgage Underwriting Practices and Procedures* came into effect on January 1, 2018. We believe that our existing underwriting standards are consistent with the new B-20 guidelines. The new B-20 guidelines require a 200 basis point stress test on the borrower qualifying rate, which will further enhance the credit quality of newly originated mortgages. We expect that this stress test may have some impact on the proportion of mortgages that we approve. This increase in the qualifying rate on uninsured mortgages will have the largest impact on market origination activity.

The prime insured mortgage market is expected to decrease again this year, as a result of the cumulative effect of new mortgage insurance rules and the increased cost of portfolio insurance. We have been impacted by these rules, as insured mortgage rates have been under pressure due to increased competition amongst lenders despite the recent Bank of Canada interest rate increases.

Impact on MCAN

We will continue to monitor housing markets as they react to an unprecedented level of regulatory changes. We will continue to ensure that our mortgage portfolio remains well positioned. Our corporate assets decreased by 1% in 2017, compared to our stated annual growth target of 10%. As market conditions change, we may choose to deviate from this target to exercise prudent risk management, such as avoiding mortgage markets where home prices have shown excessive inflation levels, or to capitalize on opportunities that fit within our overall risk appetite and strategic objectives. We continue to maintain annual 10% corporate asset growth as our ongoing target as a measure of our expected annualized growth objective into 2018 and beyond.

Real estate markets will react to the conditions described above, with the GTA market showing the greatest volatility in the first half of 2018. We believe that the market will recover to more normal volumes in the second half of the year. We expect to continue to make adjustments to the composition of our balance sheet as we evaluate the risks and rewards of each of our product lines in the geographic markets we lend to.

We expect our equity investments in MCAP, Crown LP and the KingSett High Yield Fund to positively contribute to our earnings in 2018. KingSett's announcement during Q2 2017 regarding its agreement to acquire over $1 billion in commercial mortgages from Home Capital has advanced the investment level and is expected to continue to have a positive impact on future income from our investment in the KingSett High Yield Fund. Subsequent to year end, we funded an additional $2.7 million of our capital commitment relating to our investment in the High Yield Fund.

We continue to evaluate the impact of regulatory changes on the market and MCAN. We believe that it will require another 6 months to see the impact of these changes on construction, home sales, and mortgage volumes. We have significant available asset capacity, and with the market repositioning and changing rules, we feel that we are well positioned to capitalize on the single family uninsured asset class by way of internal originations or from mortgage acquisitions in the upcoming year. In late 2017 we commenced new acquisition programs for single family mortgages from MCAP and another third party originator and we will continue examining additional opportunities into 2018.

IFRS 9

IFRS 9, *Financial Instruments*, became effective as of January 1, 2018. IFRS 9 requires the Company to begin including forward-looking economic information in its calculation of expected credit losses ("ECL"), which may add volatility to ECL balances. As part of the calculation of ECLs under IFRS 9 we expect to reflect negative trends in our economic outlook of the real estate market for 2018 and 2019. Our MD&A provides additional disclosure around prospective changes that IFRS 9 will have on our accounting.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("DRIP") is a program that provides MCAN with a reliable source of new capital and existing shareholders an opportunity to acquire additional shares at a discount to market value. 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 5 days preceding such issue less a discount of 2%. For further information on how to enrol in the DRIP, please refer to the Management Information Circular dated March 10, 2017 or visit our website at www.mcanmortgage.com/investor-relations/investor-materials.

Non-IFRS Measures

The following metrics are considered to be Non-IFRS measures and are defined in the "Non-IFRS Measures" section of the MD&A: Return on Average Shareholders' Equity, Taxable Income, Taxable Income Per Share, Average Interest Rate, Net Interest Income, Impaired Mortgage Ratios, Mortgage Arrears, Common Equity Tier 1, Tier 1 and Total Capital Ratios, Total Exposures, Regulatory Assets, Leverage Ratio, Assets to Capital Multiple; Risk Weighted Assets Ratios, Tier 1, Tier 2, Tier 3 and Total Liquid Assets and Liquidity Ratios, Income Tax Assets, Income Tax Liabilities, Income Tax Capital, Income Tax Assets to Capital Ratio, Income Tax Asset Capacity, Market Capitalization, Book Value per Common Share and Limited Partner's At-Risk Amount.

Further Information

Complete copies of the Company's 2017 Annual 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.

MCAN is a public company listed on the Toronto Stock Exchange ("TSX") 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 its corporate funds in a portfolio of mortgages (including single family residential, residential construction, non-residential construction and commercial loans), as well as other types of financial investments, loans and real estate investments. MCAN employs leverage by issuing term deposits eligible for Canada Deposit Insurance Corporation ("CDIC") deposit insurance up to a maximum of five times capital (on a non-consolidated tax basis in the MIC entity) as permitted by the Tax Act. The term deposits are sourced through a network of independent financial agents. As a MIC, MCAN is entitled to deduct from income for tax purposes 100% of dividends, except for capital gains dividends, which are deducted at 50%. Such dividends are taxed in the hands of our shareholders as interest income and capital gains dividends, respectively, to the extent that they are held in a non-registered plan.

MCAN's wholly-owned subsidiary, XMC Mortgage Corporation ("XMC") (formerly Xceed Mortgage Corporation), is an originator of residential first-charge mortgage products across Canada. As such, XMC operates primarily in one industry segment through its sales team and mortgage brokers. We renamed the subsidiary to XMC as of September 1, 2017.

MCAN is also an NHA MBS issuer.

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A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

This press release contains forward-looking information within the meaning of applicable Canadian securities laws. All information contained in this press release, other than statements of current and historical fact, is forward-looking information. All of the forward-looking information in this press 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 press release includes, among others, statements and assumptions with respect to:

- the current business environment and outlook;
- possible or assumed future results;
- our ability to create shareholder value;
- our business goals and strategy;
- the potential impact of changes to regulations;
- the stability of home prices;
- the effect of challenging conditions on us;
- factors affecting our competitive position within the housing markets;
- the price of oil and its impact on housing markets in Western Canada;
- sufficiency of our access to capital resources; and
- the timing of the effect of interest rate changes on our cash flows.

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;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- government regulation of our business;
- computer failure or security breaches;
- the availability of funding and capital to meet our requirements;
- the value of mortgage originations;
- the expected margin between interest earned on mortgage portfolios and interest paid on deposits;
- the relative continued health of real estate markets;
- acceptance of our products in the marketplace;
- availability of key personnel;
- our operating cost structure; and
- the current tax regime.

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:

- global market activity;
- worldwide demand for and related impact on oil and other commodity prices;
- changes in government and economic policy;

- changes in general economic, real estate and other conditions;
- changes in interest rates;
- changes in CMB and MBS spreads and swap rates;
- MBS and mortgage prepayment rates;
- mortgage rate and availability changes;
- adverse legislation or regulation;
- availability of CMB and MBS issuer allocation;
- technology changes;
- confidence levels of consumers;
- our ability to raise capital and term deposits on favourable terms;
- our debt and leverage;
- competitive conditions in the homebuilding industry, including product and pricing pressures;
- our ability to retain our executive officers and other employees;
- litigation risk;
- our relationships with our mortgage originators; and
- additional risks and uncertainties, many of which are beyond our control, referred to in this press release 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 MD&A 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.