PRESS RELEASE
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Stock market symbol
TSX: MKP

MCAN MORTGAGE CORPORATION ANNOUNCES FIRST QUARTER RESULTS

Toronto, Ontario – May 8, 2018. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") announced net income of $10.6 million ($0.45 per share) for the first quarter ended March 31, 2018, up from $10.3 million ($0.44 per share) in the first quarter of 2017.

Highlights

Financial Performance

- Return on average shareholders' equity was 14.10% in Q1 2018 compared to 14.37% in Q1 2017.
- Equity income from MCAP Commercial LP ("MCAP") of $3.4 million, up from $1.9 million in Q1 2017.
- Recognized a $1.7 million gain on the sale of a portion of partnership units in MCAP, which reduced ownership interest from 14.41% to 13.83%.
- Income from financial investments and other loans decreased to $1.6 million in Q1 2018 from $4.3 million in Q1 2017.
- Adopted IFRS 9, *Financial Instruments* effective January 1, 2018, prospectively, and did not restate prior period financial information, which is in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 impacts the calculation of the provision for credit losses and requires MCAN to record unrealized gains and losses on marketable securities and financial investments through the consolidated income statement.

Dividend

- The Board of Directors (the "Board") declared a second quarter dividend of $0.37 per share to be paid on June 29, 2018 to shareholders of record as of June 15, 2018.

Corporate Activity

- Corporate assets, which totalled $1.12 billion at March 31, 2018, decreased by $61 million from December 31, 2017.
- Corporate mortgage portfolio decreased by $4 million during Q1 2018 to $859 million from $863 million, which included decreases of $44 million in uninsured completed inventory, $5 million in insured single family and $2 million in uninsured single family, partially offset by increases of $19 million in construction and $28 million in commercial.
- Corporate mortgage originations increased significantly to $111 million in Q1 2018 from $60 million in Q4 2017, primarily driven by increased commercial mortgage originations.
- Financial investments increased by $5 million (8%) during Q1 2018 to $73 million from $68 million.
- Cash and cash equivalents decreased to $62 million from $118 million during Q1 2018 to a level more in line with our internal liquidity targets.

Credit Quality

- Impaired total mortgage ratio increased to 0.10% at March 31, 2018 from 0.09% at December 31, 2017.
- Impaired corporate mortgage ratio increased to 0.22% at March 31, 2018 from 0.20% at December 31, 2017.
- Total mortgage arrears were $19 million at March 31, 2018 compared to $18 million at December 31, 2017. The March 31, 2018 balance consists entirely of single family mortgages, $7.0 million of which were uninsured.
- Net write-offs were 0.6 basis points of the average corporate portfolio in Q1 2018 compared to 11.9 basis points in Q1 2017.

- Average loan to value ratio (“LTV”) of the uninsured single family portfolio (based on an industry index of current real estate values) was 53.1% at March 31, 2018 compared to 52.6% at December 31, 2017.

Capital

- Common Equity Tier 1, Tier 1 and Total Capital to risk-weighted assets ratios were 21.29% at March 31, 2018 compared to 21.26% at December 31, 2017.
- Leverage ratio was 11.74% at March 31, 2018 compared to 11.31% at December 31, 2017.
- Income tax asset capacity was $356 million at March 31, 2018 compared to $287 million at December 31, 2017, representing potential additional investment capacity.

Outlook

Regulatory Changes

The revised OSFI Guideline B-20, *Residential Mortgage Underwriting Practices and Procedures* came into effect on January 1, 2018. The B-20 guideline now requires a stress test on uninsured single family mortgage applications in the form of a 200 basis point increase to the borrower’s contractual rate. Insured single family mortgages are required to qualify at the greater of the Bank of Canada’s benchmark rate and the borrower contractual rate. We expect that the uninsured stress test will continue to have some impact on the proportion of mortgages that we approve and will have the largest impact on market origination activity.

Real estate conditions

Canadian residential real estate markets continue to have a mixed performance as regional markets adjust to both regulatory changes and local economic conditions. We expect Canadian housing market conditions to experience volatility and uncertainty in 2018 and continue to face headwinds as consumers face a rising interest rate environment.

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 that listings are on the market and notable 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. We expect that the negative impact of the announced changes will impact the Greater Toronto Area (“GTA”) market for the first half of 2018, similar to what occurred in the Greater Vancouver Area (“GVA”) market in 2017.

We expect the GVA to see reduced sales activity in 2018 but we expect price inflation to return as demand is expected to outpace supply. There continues to be a lack of inventory in this market, which has and will continue to push prices upward.

The Prairie Provinces are expected to demonstrate stabilization following the strengthening of oil prices. We expect to see more lending opportunities in the Prairie market as conditions continue to improve.

Impact on MCAN

Currently, there is a significant degree of uncertainty surrounding the future performance of the mortgage market. We believe that the mortgage market will require at least two quarters to adjust to the new underwriting rules of Guideline B-20 and other new regulations. While we continue to see significantly reduced home sales and weakening prices, we will continue to moderate our origination volumes.

We expect to see some offset by way of stronger activity from the renewal of our own mortgages that are not subject to the same stress tests as newly originated mortgages. We also expect to see an increase in the level of activity from the prime mortgage market to the alternative market that fits within our XMC-originated mortgage products. 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 in 2018.

MCAN is a diversified lender to housing markets, and temporarily adjusted its corporate mortgage portfolio composition in 2017 by opportunistically deploying capital into other business lines such as commercial and construction lending to compensate for the shortfall in the single family business given the uncertainties in that market. We believe that certain lower-risk segments of the commercial mortgage market, such as loans secured by apartment buildings, represent good lending opportunities in a slowing single family market.

Our disciplined approach to investment in mortgages resulted in MCAN not aggressively growing its uninsured single family mortgage portfolio when the GTA and GVA markets were at record high home prices. We believe that this conservative approach and the moderation of originations amidst market volatility will reduce our exposure to loss in the event of a market correction.

MCAN has considerable experience in commercial and construction lending, and has strategic lending relationships with MCAP and KingSett Capital that provide MCAN with access to origination and risk-managed participation in commercial and construction lending opportunities. We will continue to leverage our strategic business relationships to earn appropriate risk adjusted returns.

Our corporate assets decreased by 5% in the first quarter of 2018 compared to our stated annual growth target of 10%. While we maintain our stated annual growth target for corporate assets of 10% per annum, we believe that this target provides our shareholders with a measure of the long term expected pace of annual growth for the Company. As market conditions change, we may choose to deviate from this target to exercise prudent risk management, or should an appropriate opportunity arise, we may choose to exceed it. The combination of the current weakness in home values in Canada's two major markets and a tighter marketplace has led to a moderation in our single family volumes.

We expect our equity investments in MCAP, Crown LP and the KingSett High Yield Fund ("KSHYF") to positively contribute to our earnings in 2018. In the first quarter we recognized a $1.7 million gain on the partial sale of our investment in MCAP, which reduced our ownership interest from 14.41% to 13.83%. The growth of the KSHYF since Q2 2017 has advanced our investment level and is expected to continue to have a positive impact on future income from this investment. In the first quarter of 2018 we funded an additional $5 million of our capital commitment relating to our investment in the KSHYF.

With low impaired mortgage ratios and arrears, we believe that MCAN's balance sheet is well positioned in the current market. In addition, with over 50% of our consolidated balance sheet represented by insured mortgages, we believe that our asset composition provides a sound risk adjusted return to our shareholders. As the uncertainty in the current market evolves, we believe that our strong capital position and asset capacity can be deployed if and when opportunities arise.

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 9, 2018 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 2018 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.

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. Dividends paid to foreign investors outside of Canada may be subject to withholding taxes.

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.

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;
- 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;
- 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.