PRESS RELEASE
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Stock market symbol
TSX: MKP

MCAN MORTGAGE CORPORATION ANNOUNCES THIRD QUARTER RESULTS AND 11% INCREASE IN NET INCOME

Toronto, Ontario – November 8, 2018. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") announced net income of $11.0 million ($0.47 per share) for the third quarter ended September 30, 2018, up 11% from $9.9 million ($0.42 per share) in the third quarter of 2017.

Highlights

Financial Performance

Q3 2018

- Return on average shareholders' equity was 14.29% in Q3 2018 compared to 13.63% in Q3 2017.
- Operating expenses decreased significantly from Q3 2017 as a result of a reduction in variable compensation accruals and a non-recurring reimbursement of previously incurred and accrued legal expenses.

Year to Date 2018

- For 2018 year to date, we earned net income of $32.7 million, up $3.6 million (12%) from $29.1 million in 2017.
- Earnings per share were $1.39 for 2018 year to date, up $0.14 (11%) from $1.25 in 2017.
- Return on average shareholders' equity was 14.31% for 2018 year to date compared to 13.45% in 2017.

Dividend

- On September 24, 2018, the Board of Directors (the "Board") declared a fourth quarter dividend of $0.32 per share to be paid on January 2, 2019 to shareholders of record as of December 14, 2018.
- This dividend has been accrued as a liability as at September 30, 2018 due to the fact that it was declared prior to the end of the quarter. Shareholders' equity as at September 30, 2018 is calculated net of both this dividend and the third quarter dividend that was paid September 28, 2018.
- The dividend decrease reflects the expected impact from shifting to a more conservative asset mix, the slower than expected growth in our single family originations to date and the related impact on our net interest income.

Corporate Activity

- Corporate assets, which totalled $1.24 billion at September 30, 2018, increased by $27 million (2%) from June 30, 2018.
- Corporate mortgage portfolio increased by $47 million (5%) during Q3 2018 to $966 million from $919 million, which included increases of $20 million in construction, $17 million in uninsured single family and $15 million in insured single family, partially offset by a decrease of $5 million in completed inventory loans.
- Corporate mortgage originations increased to $83 million in Q3 2018 from $48 million in Q3 2017, including increases of $21 million in insured single family and $22 million in uninsured single family.

Credit Quality

- The impaired total mortgage ratio was 0.03% at September 30, 2018 compared to 0.02% at June 30, 2018.
- The impaired corporate mortgage ratio was 0.06% at September 30, 2018 compared to 0.03% at June 30, 2018.
- Total mortgage arrears were $17 million at September 30, 2018, compared to $21 million at June 30, 2018. The September 30, 2018 balance consists entirely of single family mortgages, $5.7 million of which were uninsured.
- Net write-offs were nil basis points of the average corporate portfolio in Q3 2018 compared to 4.3 basis points in Q3 2017.
- Average loan to value ratio ("LTV") of our uninsured single family portfolio based on an industry index of current real estate values was 57.1% at September 30, 2018 compared to 56.9% at June 30, 2018.

Capital

- Common Equity Tier 1, Tier 1 and Total Capital to risk-weighted assets ratios were 20.58% at September 30, 2018 compared to 21.47% at June 30, 2018.
- The leverage ratio was 11.35% at September 30, 2018 compared to 11.55% at June 30, 2018.
- The income tax asset to capital ratio was 4.90 at September 30, 2018 compared to 4.60 at June 30, 2018.
- The Common Equity Tier 1, Tier 1 and Total Capital to risk-weighted assets ratios, the leverage ratio and the income tax asset to capital ratio are calculated net of the fourth quarter dividend payable January 2, 2019 due to the fact that this dividend was declared prior to quarter end and therefore it was deducted from shareholders' equity as at September 30, 2018. This deduction has contributed to the decrease in these metrics as at September 30, 2018.
- Capital and asset balances are managed based on the regulations and limits of both the *Income Tax Act* (Canada) (the "Tax Act") and the Office of the Superintendent of Financial Institutions ("OSFI").

Management Changes

Effective October 9, 2018, Karen Weaver was appointed as Chief Executive Officer of the Company on an interim basis. Ms. Weaver has served on the Board of Directors since November 2011 and as a member and Chair of the Audit Committee. Subsequently, we have appointed Ms. Dipti Patel as Vice President and Chief Financial Officer, and Mr. Carl Brown, Vice President, Operations and Treasurer. In October we also appointed Ms. Emily Randle as Vice President and Chief Risk Officer. Additionally, Mr. Joseph Shaw joined the Company as Vice President and Chief Investment Officer on October 1, 2018 from a major Canadian financial institution, bringing significant experience in real estate, portfolio management and investments. The full executive team profiles are available on our website at www.mcanmortgage.com.

Outlook

Regulatory Changes

Effective January 1, 2018, additional granularity was added to Guideline B-20, *Residential Mortgage Underwriting Practices and Procedures* ("Guideline B-20") by OSFI, including a stress test for uninsured mortgages. We estimate that the uninsured stress test has impacted approximately 10-15% of mortgages that we underwrite based on the borrower's ability to service the higher mortgage rates used in the stress test. We expect that this stress test, amongst other changes to Guideline B-20, will continue to have some impact on the proportion of mortgages that we approve.

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 downward pressure and uncertainty for the remainder of 2018 and continue to encounter headwinds into 2019 as consumers face a rising interest rate environment, challenging affordability.

Consistent with our expectation last quarter, we saw some signs of recovery in home sale levels during the third quarter as buyers continued to adjust to the new mortgage rules. However, we have observed weakness in resale markets and construction starts through 2018, and we expect this to continue into 2019. In October 2018, the Bank of Canada announced a further increase to its benchmark interest rate to 1.75%. We expect interest rates to continue to increase into 2019, which we believe will place further pressures on consumer spending and housing/mortgage affordability.

Impact on MCAN

MCAN has historically repositioned itself during times of uncertainty to adapt its portfolio to changing market dynamics. Consistent with our disclosures in the Second Quarter outlook, we continue to reposition our mortgage portfolio to focus more on single family mortgages and less on construction lending given the uncertainty in the housing market, the impact of increasing rates, the overall economy and related risk factors.

Our construction lending activity, as discussed in the "Risk Governance and Management" section of Management's Discussion and Analysis (the "MD&A"), is considered a higher risk lending activity and we believe that it is prudent to moderate lending activities in this business segment as we believe that we are approaching the end of a real estate cycle. For further information on our construction lending activities, refer to the "Construction and commercial lending" sub-section of the "Financial Position" section of the MD&A. We believe that single family lending provides a more moderate risk profile as uncertainties remain with respect to the housing market and the broader economy. Accordingly, we will focus on continuing to grow our uninsured single family origination volumes compared to the past two years.

Given competitive market conditions and the recent regulatory changes related to OSFI Guideline B-20, we believe that there will be challenges in originating adequate volumes to grow the single family portfolio. Notwithstanding these challenges, to assist with our single family growth plans, we have launched programs to attract potential loans through the brokerage community and have increased our internal sales capabilities. In addition, through MCAP and other originators, we have accelerated discussions to acquire additional single family mortgages. Additionally, we expect to experience mortgage rate pressures in our single family lending business as we compete with other lenders for originations. As a result of this rebalancing, we are observing historically low spread levels in our mortgage originations. We expect to invest in sustainable internal operating platforms to ensure that there are sufficient processes and monitoring in place to support growth, rebalancing and risk management. Collectively, we believe that this strategy may impact our net interest margins, while at the same time increasing the strength and stability of our balance sheet.

As noted above, recent announcements by the Bank of Canada to increase interest rates, may provide an environment in which mortgage spreads could improve. However, improving mortgage spreads are also highly dependent on the overall rates offered by larger competitors in the space in addition to the broader market impact of housing ownership costs relative to household income.

Our corporate assets have increased by 5% year to date, compared to our stated annual growth target of 10%. We maintain our stated annual growth target for corporate assets of 10% per annum, as 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 tactically seize appropriate opportunities if they arise.

As volatility in the current market evolves, we believe that our strong capital position and asset capacity can be deployed if and when opportunities arise. Overall, we believe that our strategy in the near term is prudent given our review of the current state of the Canadian economy and housing markets. Over the longer term we will focus on a strategy that effectively grows our balance sheet and returns to our shareholders.

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/investors/regulatory-filings/.

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 Third 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 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 securities, loans and real estate investments. MCAN employs leverage by issuing term deposits eligible for Canada Deposit Insurance Corporation ("CDIC") deposit insurance. We manage our capital and asset balances based on the regulations and limits of both the Tax Act and OSFI. 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 received by the shareholders as interest income and capital gains dividends, respectively.

MCAN's wholly-owned subsidiary, XMC, 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 statements" within the meaning of applicable Canadian securities laws. The words "may," "believe," "will," "anticipate," "expect," "planned," "estimate," "project," "future," and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Such statements reflect management's current beliefs and are based on information currently available to management. The forward-looking statements in this press release include, among others, statements and assumptions with respect to:

- the current business environment and outlook;
- possible or assumed future results;
- ability to create shareholder value;
- business goals and strategy;
- the stability of home prices;
- 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.

The material factors or assumptions that were identified and applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking statements include, but are not limited to:

- the Company's ability to successfully implement and realize on its business goals and strategy;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- government regulation of the Company's business;
- computer failure or security breaches;
- future capital and funding 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 the Company's products in the marketplace;
- availability of key personnel;
- the Company's operating cost structure; and
- the current tax regime.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results to differ materially from the anticipated future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements 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;
- 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;
- ability to retain our executive officers and other employees;
- litigation risk;
- 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 any forward-looking statements whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports should be consulted.