MCAN MORTGAGE CORPORATION ANNOUNCES FIRST QUARTER RESULTS FOR 2019

Toronto, Ontario – May 7, 2019. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") (TSX: "MKP") announced net income of $14.3 million ($0.60 per share) for the first quarter ended March 31, 2019, an increase of 35% from $10.6 million ($0.45 per share) in the first quarter of 2018. Q1 2019 income included an $8.0 million unrealized gain on securities, which impacted earnings per share by $0.34.

Highlights

Financial Performance

- The unrealized gain on securities of $8.0 million consisted primarily of unrealized gains in the real estate investment trust ("REIT") component of our marketable securities portfolio, compared to an unrealized loss of $0.1 million in Q1 2018.
- Equity income from MCAP Commercial LP ("MCAP") decreased by $0.9 million (25%) from Q1 2018 due to hedging losses during Q1 2019.
- Return on average shareholders' equity[1] increased to 18.36% in Q1 2019 from 14.10% in Q1 2018.

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this press release.*

Corporate Activity

- Corporate assets totalled $1.26 billion at March 31, 2019, an increase of $37 million (3%) from $1.22 billion at December 31, 2018 and $140 million (12%) from $1.12 billion at March 31, 2018.
- Corporate mortgage portfolio totalled $996 million at March 31, 2019, an increase of $74 million (8%) from December 31, 2018 and $137 million (16%) from March 31, 2018.
- Uninsured single family portfolio totalled $308 million at March 31, 2019, an increase of $52 million (20%) from December 31, 2018 and $111 million (56%) from March 31, 2018.
- Uninsured single family originations were $63 million in Q1 2019, an increase of 25% from Q4 2018 and 420% from Q1 2018.
- Insured single family originations were $38 million in Q1 2019, an increase of 39% from Q4 2018 and 195% from Q1 2018.
- Growth in single family originations are primarily due to our investment in internal sales and marketing, which is consistent with our growth strategy.
- Construction and commercial portfolios decreased by $4 million (1%) from December 31, 2018 and $36 million (6%) from March 31, 2018.

CEO Commentary

"We are very pleased with the strong performance in our single family business this quarter," said Karen Weaver, Chief Executive Officer, Interim. "Management, along with the entire MCAN team, is focused on building our business and delivering sustainable returns to shareholders."

Dividend

- The Board of Directors declared a second quarter dividend of $0.32 per share on May 7, 2019 to be paid June 28, 2019 to shareholders of record as of June 14, 2019.

Credit Quality

- The impaired corporate mortgage ratio[2] decreased to 0.30% at March 31, 2019 from 0.34% at December 31, 2018 and 0.44% at March 31, 2018.
- The impaired total mortgage ratio[2] decreased to 0.24% at March 31, 2019 from 0.27% at December 31, 2018 and 0.26% at March 31, 2018.
- Total mortgage arrears[2] were $19 million at March 31, 2019 compared to $16 million at December 31, 2018 and $19 million at March 31, 2018.
- Net write-offs were $23,000 or 0.9 basis points of the average corporate portfolio in Q1 2019 compared to $13,000 or 0.6 basis points in Q1 2018.
- Average loan to value ratio ("LTV") of our uninsured single family portfolio based on an industry index of current real estate values was 65.0% at March 31, 2019 compared to 63.8% at December 31, 2018 and 60.3% at March 31, 2018.

[2] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this press release.*

Capital

- We manage our capital and asset balances 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").
- Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital to risk-weighted assets ratios[3] were 22.09% at March 31, 2019 compared to 21.66% at December 31, 2018 and 21.29% at March 31, 2018.
- The leverage ratio[3] was 12.05% at March 31, 2019 compared to 11.79% at December 31, 2018 and 11.74% at March 31, 2018.
- The income tax assets to capital ratio[3] was 4.69 at March 31, 2019 compared to 4.64 at December 31, 2018 and 4.33 at March 31, 2018.
- We issued 241,920 new common shares through the Dividend Reinvestment Program ("DRIP") in Q1 2019 compared to 181,360 in Q1 2018. The DRIP participation rate was 26% for the 2019 first quarter dividend compared to 18% for the 2018 fourth quarter dividend and 20% for the 2018 first quarter dividend.

[3] Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this press release.

Outlook

Market Outlook

The Bank of Canada now forecasts 2019 Gross Domestic Product to grow by 1.2%, down from the annual growth rate previously expected for 2019. Canadian job growth and unemployment continue to be steady, with some regions lower than the average. Stable employment and corporate earnings suggest that the slow growth trend will continue through the end of 2019. Canadian real estate markets continue to be challenged with the impacts of the revised OSFI Guideline B-20, *Residential Mortgage Underwriting Practices and Procedures*, specifically the stress test. The Canadian housing market appears to have cooled somewhat in all regional housing markets, except for Ottawa and Montreal. Home sales, both new and resale, are down, while home prices have been sustained thus far in 2019 in the face of mounting downward pressure. Housing shortages will continue to drive growth in residential construction over the long term. Forecasts at the start of the year generally included two or three potential interest rate increases, while the current outlook is for no increases or even a potential interest rate decrease. These changes in interest rate forecasts continue to provide for a mixed housing market outlook.

Housing affordability also continues to contribute to market uncertainty as Canadian household indebtedness remains high. Gains in the labour market, population growth in major markets and continued demand for housing at lower price points have all somewhat moderated the impact of the factors restraining the housing market, as discussed above. If an interruption is experienced in relation to current population growth trends, employment or actual economic conditions outside of current expectations, we would expect market conditions to deteriorate.

Although the 2019 Federal Budget released on March 9, 2019 included initiatives to support first-time homebuyers through increased support from the government in the form of Registered Retirement Savings Plan withdrawal limits, amongst other support, we do not feel that these initiatives will have a material impact on Canadian housing affordability.

Business Outlook

We will continue to ensure that our mortgage portfolio remains well positioned amidst a mixed market outlook. Profitable long-term success in growing our uninsured single family mortgage portfolio is driven by the continued development of our sales and marketing programs, strengthening our relationships with the mortgage broker community and improving our internal underwriting platform efficiency. Collectively, these initiatives will allow us to target originations toward our desired markets and borrowers, as defined by our risk appetite, and will further improve efficiencies and our ability to grow profitability. We believe that our current pipeline will continue to support growth in our uninsured originations during 2019, although at spreads lower than our historical levels. We are currently observing some positive signs of widening spreads in our single family pipeline; however, we expect that this will have a marginal earnings impact in 2019 if spreads compress again due to the Bank of Canada outlook and ongoing competitive pressures. We also expect some compression in our spreads on new originations in our construction and commercial portfolios as competition from other lenders increases.

We will continue to focus on increasing our originations and securitizations of insured single family mortgages. We also continue to seek alternatives to increase our participation in securitization markets, including commercial multi family loans.

Volatility in the REIT market has impacted portfolio values resulting in material unrealized gains and losses being recorded through net income in Q4 2018 and Q1 2019. We expect continuing volatility in the valuation of our marketable securities portfolio.

Our primary funding source, term deposits eligible for Canada Deposit Insurance Corporation ("CDIC") insurance that are sourced through the deposit broker network, remains stable. Given our growth outlook, we believe that this funding source will be sufficient to meet our expected portfolio growth in 2019.

Continuous improvement in our operating platform will be implemented throughout 2019 to help ensure that our business model meets all strategic, operational and compliance objectives over the long term.

We believe that our pragmatic approach to lending, articulated risk appetite and expertise in loan management will allow us to effectively grow our business and optimize opportunities through varying market conditions. We will continue to manage and monitor market trends, make adjustments to the composition of our balance sheet and utilize our chosen business model as we adapt to changing market dynamics and execute our business plan. Our targeted annual growth in corporate assets over the long term is 10%, within our risk appetite. Our current 2019 corporate asset growth outlook is in the range of 5-8%, which has increased from 4-6% at Q4 2018.

This Outlook contains forward-looking statements. For further information, please refer to the "A Caution About Forward-Looking Information and Statements" section of this press release.

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 15, 2019 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 2019 first quarter 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, Risk Weighted Assets Ratios, Income Tax Assets, Income Tax Liabilities, Income Tax Capital, Income Tax Assets to Capital Ratio, Income Tax Liabilities to Capital Ratio, Market Capitalization, Book Value per Common Share and Limited Partner's At-Risk Amount.

Effective January 1, 2019, we revised the impaired mortgage ratios to include insured mortgages in the numerator such that the ratios are equal to impaired mortgages divided by portfolio balance. Prior period ratios have been restated.

Further Information

Complete copies of the Company's Q1 2019 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 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 diversified portfolio of Canadian 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 deposit insurance. We manage our capital and asset balances based on the regulations and limits of both the Tax Act and the Office of the Superintendent of Financial Institutions. 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 50% of capital gains dividends and 100% of non-capital gains dividends that we pay to shareholders. Such dividends are taxed in the hands of our shareholders as capital gains dividends and interest income, respectively, to the extent that they are held in a non-registered plan. Dividends paid to foreign investors may be subject to withholding taxes.

MCAN's wholly-owned subsidiary, XMC Mortgage Corporation, is an originator of single family residential mortgage products across Canada.

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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 new regulations and changes to existing 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 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:

- 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 uncertainty and volatility 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 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 Canada Mortgage Bonds ("CMB") and mortgage-backed securities ("MBS") spreads and swap rates;
- MBS and mortgage prepayment rates;
- mortgage rate and availability changes;
- adverse legislation or regulation, including recent changes implemented by OSFI and the potential for higher capital and liquidity requirements for real estate lending;
- 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;
- the success of the business underlying our investment in MCAP, marketable securities and non-marketable securities;
- litigation risk;
- our ability to respond to and reposition ourselves within a changing market;
- our relationships with our mortgage originators;
- additional risks and uncertainties, many of which are beyond our control, referred to in this MD&A 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 press release 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.