MCAN MORTGAGE CORPORATION ANNOUNCES STRONG 2020 RESULTS AND DECLARES REGULAR $0.34 CASH DIVIDEND PER SHARE AND A $0.85 SPECIAL STOCK DIVIDEND PER SHARE

Toronto, Ontario - February 23, 2021. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") (TSX: "MKP") reported higher net income for the fourth quarter ended December 31, 2020 of $22.1 million ($0.89 earnings per share) compared to $10.6 million ($0.44 earnings per share) for the same period in the prior year. For the twelve months ended December 31, 2020, MCAN reported net income of $42.9 million ($1.75 earnings per share), compared to net income of $48.3 million ($2.01 earnings per share) in the prior year.

The Board of Directors (the "Board") declared a quarterly cash dividend of $0.34 per share and a special stock dividend of $0.85 per share both to be paid March 31, 2021 to shareholders of record as of March 15, 2021. The special stock dividend is being paid out as a result of taxable income exceeding regular dividends paid in 2020, driven by higher income from MCAP as a result of non-recurring new contracts, growth in its business and an increase in loan sale spreads.

"MCAN finished the year strong, despite the global pandemic, as we grew our mortgage portfolio in response to the housing and mortgage market dynamics which were fueled by reduced interest rates and COVID-19", said Karen Weaver, President and Chief Executive Officer. "I have to thank the entire team at MCAN for their hard work in executing our day-to-day business, serving our customers and achieving our growth, all remotely. Within our single family operations, we gained significant market share in 2020 as well. We expect to continue profitable growth in our mortgage assets and in our marketable and non-marketable securities and remain focused on guiding the company through the continued impacts of COVID-19."

Highlights

- Corporate assets totalled $1.56 billion at December 31, 2020, an increase of $195 million (14%) from December 31, 2019.
- Our single family market share increased by 125% year over year and more than 200% quarter over quarter. The low interest rate environment and work-from-home situation created by COVID-19, created a very robust real estate and mortgage market that we were able to capitalize on.
- Uninsured single family originations totalled $283 million in 2020, an increase of $61 million (27%) from 2019.
- Insured single family originations totalled $616 million in 2020, an increase of $384 million (166%) from 2019.
- Insured single family securitizations totalled $685 million in 2020, an increase of $377 million (123%) from 2019.
- Securitized mortgages totalled $1.14 billion at December 31, 2020, an increase of $351 million (45%) from December 31, 2019.
- Construction and commercial originations totalled $498 million in 2020, an increase of $199 million (66%) from 2019.
- Net income for the year was $42.9 million ($1.75 earnings per share), compared to $48.3 million ($2.01 earnings per share) in the prior year, impacted by a decrease in the market value of our REIT portfolio in March 2020 (compared to market value gains in 2019), as well as an increase in our credit loss provision, both due to COVID-19. These were partly offset by higher net corporate mortgage spread income[1] and higher equity income from MCAP.
- Net income for the quarter was $22.1 million ($0.89 earnings per share) compared to $10.6 million ($0.44 earnings per share) for 2019. The increase was due to higher net corporate and securitized mortgage spread income[1] and higher equity income from MCAP, as well as a gain in the market value of our REIT portfolio amid optimism from the COVID-19 vaccine.

Financial Update

- Net corporate mortgage spread income[1] increased by $2.2 million in Q4 2020 compared to Q4 2019 due to a higher average corporate mortgage portfolio balance[1] and an increase in the spread of corporate mortgages over term deposit interest[1]. Net corporate mortgage spread income[1] increased by $5 million for 2020 from 2019 due to a higher average corporate mortgage portfolio balance[1].
- Net securitized mortgage spread income[1] increased by $0.9 million in Q4 2020 compared to Q4 2019 due to a higher average securitized mortgage portfolio balance[1] from significantly higher originations of insured single family mortgages and an increase in the spread of securitized mortgages over liabilities[1]. Net securitized mortgage spread income[1] increased by $0.5 million for 2020 from 2019 due to a higher average securitized mortgage portfolio balance[1] from significantly higher originations of insured single family mortgages partially offset by higher indemnity expense on early repaid mortgages that was higher than penalty income occurring mainly in the second quarter of the year.

- Our provision for credit losses on our corporate mortgage portfolio decreased by $0.1 million in Q4 2020 compared to Q4 2019 and increased by $2.5 million in 2020 from 2019 mainly due to the potential economic impacts of COVID–19 and growth in the portfolio offset by refinements in model parameters to reflect our policies and business practices in our commercial and construction portfolio and various economic assumptions made during 2020.

- Equity income from MCAP Commercial LP ("MCAP") totalling $9.4 million increased by $5.4 million in Q4 2020 compared to Q4 2019. For the year, equity income from MCAP increased by $18.2 million in 2020 from 2019. These increases were mainly due to higher origination and processing fees related to higher whole loan sales volumes at wider spreads. MCAP also recorded fees from non-recurring new contracts in 2020. We expect that MCAP will continue to have strong earnings, however, more normal market and business dynamics are anticipated in 2021.

- In Q4 2020, we recorded a $5.7 million net gain on securities compared to a $2.1 million net gain on securities in Q4 2019. Activity in Q4 2020 related to unrealized fair value gains on our real estate investment trust ("REIT") portfolio and in Q4 2019 related to realized and unrealized fair value gains on both our REIT portfolio and Crown Reality II Limited Partnership ("Crown LP"). Year to date net loss on securities was $9.1 million for 2020 compared to a year to date net gain on securities of $14.0 million for 2019. Activity in 2020 related to unrealized fair value losses net of some realized fair value gains on our REIT portfolio and in 2019 related to realized and unrealized fair value gains on our REIT portfolio and Crown LP. In 2020, market prices for REITs have been impacted by COVID-19 and we continue to see high market volatility.

- Return on average shareholders' equity[1] was 25.92% in Q4 2020, an increase of 13.08% from 12.84% in Q4 2019. Return on average shareholders' equity[1] was 13.13% for 2020 compared to 15.11% in 2019.

Credit Quality

- The impaired corporate mortgage ratio[1] was 0.30% at December 31, 2020 compared to 0.32% at December 31, 2019.

- The impaired total mortgage ratio[1] was 0.18% at December 31, 2020 compared to 0.23% at December 31, 2019.

- Total mortgage arrears[1] were $30 million at December 31, 2020 compared to $16 million at December 31, 2019. The increase in total mortgage arrears[1] is mainly due to one construction mortgage where an asset recovery program has since been initiated. We anticipate full recovery of past due interest and principal. The impairment of this construction mortgage is not related to COVID-19.

- At December 31, 2020, there were no mortgages remaining in our payment deferral program.

- Average loan to value ratio ("LTV") of our uninsured single family portfolio based on an industry index of current real estate values was 60.6% at December 31, 2020 compared to 64.0% at December 31, 2019.

Capital

- The income tax assets to capital ratio[1] was 5.09 at December 31, 2020 compared to 4.93 at December 31, 2019.

- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[1,2] were 21.67% at December 31, 2020 compared to 22.52% at December 31, 2019. Total Capital to risk-weighted assets ratio[1,2] was 22.02% at December 31, 2020 compared to 22.52% at December 31, 2019.

- The leverage ratio[1] was 10.17% at December 31, 2020 compared to 12.58% at December 31, 2019.

- We issued 417,384 new common shares through the Dividend Reinvestment Plan ("DRIP") in 2020 compared to 416,919 in 2019. The DRIP participation rate was 17% for 2020 compared to 20% in 2019. The DRIP is a program that has historically provided MCAN with a reliable source of new capital and existing shareholders an opportunity to acquire additional shares at a discount to market value.

Dividend

- The special stock dividend will be paid to shareholders in common shares (with fractional shares paid in cash) issued out of treasury at the weighted average trading price for the five days preceding the record date of March 15, 2021. This dividend will be paid on March 31, 2021.

[1] *Considered to be a "Non-IFRS Measure". For further details, refer to the "Non-IFRS Measures" section of this news release.*
[2] *Effective March 31, 2020, the total capital ratio reflects the inclusion of stage 1 and stage 2 allowances on the Company's mortgage portfolio in Tier 2 capital. In accordance with OSFI's transitional arrangements for capital treatment of ECL issued March 27, 2020, a portion of stage 1 and stage 2 allowances that would otherwise be included in Tier 2 capital are included in CET 1 capital. The adjustment to CET 1 capital will be measured each quarter as the increase, if any, in stage 1 and stage 2 allowances compared to the corresponding allowances at December 31, 2019. The increase, if any, is subject to a scaling factor that will decrease over time and is currently set at 70% in fiscal 2020, 50% in fiscal 2021 and 25% in fiscal 2022. Prior period ratios have not been restated.*

Non-IFRS Measures

The following metrics are considered to be Non-IFRS measures and are defined in the “Non-IFRS Measures” section of the 2020 Annual Report: Return on Average Shareholders’ Equity, Net Corporate Mortgage Spread Income, Spread of Corporate Mortgages over Term Deposit Interest, Average Corporate Mortgage Portfolio Balance, Net Securitized Mortgage Spread Income, Average Securitized Mortgage Portfolio Balance, Spread of Securitized Mortgages Over Liabilities, Impaired Corporate Mortgage Ratio, Impaired Total Mortgage Ratio, Total Mortgage Arrears, Common Equity Tier 1 (“CET 1”) and Tier 1 Capital to Risk-Weighted Assets Ratios, Total Capital to Risk-Weighted Assets Ratio, Leverage Ratio and Income Tax Assets to Capital Ratio.

Further Information

Complete copies of the Company’s 2020 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.

For our Outlook, refer to the “Outlook” section of the 2020 Annual Report.

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 Income Tax Act (Canada) (the “Tax Act”).

The Company’s primary objective is to generate a reliable stream of income by investing 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 that are eligible for Canada Deposit Insurance Corporation deposit insurance and are sourced through a network of independent financial agents. We manage our capital and asset balances based on the regulations and limits of both the Tax Act and OSFI.

As a MIC, we are entitled to deduct the dividends that we pay to shareholders from our taxable income. Regular dividends are treated as interest income to shareholders for income tax purposes. We are also able to pay capital gains dividends, which would be treated as capital gains to shareholders for income tax purposes. Dividends paid to foreign investors may be subject to withholding taxes. To meet the MIC criteria, 67% of our non-consolidated assets measured on a tax basis are required to be held in cash or cash equivalents and residential mortgages.

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

For how to enroll in the DRIP, please refer to the Management Information Circular dated March 13, 2020 or visit our website at www.mcanmortgage.com/investors/regulatory-filings. 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 five days preceding such issue less a discount of 2% until further notice from MCAN.

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A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS

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

- the current business environment and outlook;
- the impact of global health pandemics on the Canadian economy and globally, including the continuing impact of COVID-19;
- 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;
- performance of our investments;
- factors affecting our competitive position within the housing markets;
- international trade and geopolitical uncertainties and their impact on the Canadian economy;
- sufficiency of our access to capital resources;
- the timing of the effect of interest rate changes on our cash flows; and
- the declaration and payment of dividends.

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;
- government regulation of our business and the cost to us of such regulation, including the anticipated impact of government actions related to COVID-19;
- the economic and social impact, management, duration and potential worsening of the impact of COVID-19 or any other future pandemic virus;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- systems failure or cyber and security breaches;
- the availability of funding and capital to meet our requirements;
- the value of mortgage originations;
- the expected spread 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;
- the stage of the real estate cycle and the maturity phase of the mortgage market;
- impact on housing demand from changing population demographics and immigration patterns;
- 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 and rates of default;
- availability of key personnel;
- our operating cost structure;
- the current tax regime; and
- operations within our equity investments.

The COVID-19 pandemic has cast particular uncertainty on the Company’s internal expectations, estimates, projections, assumptions and beliefs, including with respect to the Canadian economy, employment conditions, interest rates, levels of housing activity and household debt service levels. There can be no assurance that they will continue to be valid. Given the rapid pace of change with respect to the impact of the COVID-19 pandemic, it is premature to make further assumptions about these matters. The duration, extent and severity of the impact the COVID-19 pandemic, including measures to prevent its spread and related government actions adopted in response, will have on our business is highly uncertain and difficult to predict at this time.

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, the risks and uncertainties referred to in our Annual Information Form for the year ended December 31, 2020.

Subject to applicable securities law requirements, we undertake no obligation to publicly update or revise any forward-looking information after the date of this news 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.