MCAN MORTGAGE CORPORATION ANNOUNCES STRONG Q2 2021 RESULTS AND DECLARES $0.34 CASH DIVIDEND PER SHARE

Toronto, Ontario - August 12, 2021. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") (TSX: "MKP") reported net income of $19.4 million ($0.73 earnings per share) in the second quarter compared to net income of $7.8 million ($0.32 earnings per share) for the same period in the prior year. For the six months ended June 30, 2021, MCAN reported net income of $35.3 million ($1.38 earnings per share), compared to a net loss of $1.9 million ($0.08 loss per share) in the prior year. Net income was 149% higher for the quarter and 1,925% year to date 2021 due to growth in our corporate and securitization assets, an increase in the market value of our REIT portfolio in 2021 (compared to market value losses in 2020), as well as a decrease in our credit loss provision due to improved economic forecasts. We also realized higher net corporate and securitized mortgage spread income[1] and higher equity income from MCAP compared to the same periods in 2020.

The Board of Directors (the "Board") declared a quarterly cash dividend of $0.34 per share to be paid September 30, 2021 to shareholders of record as of September 15, 2021.

"We are very pleased with our strong Q2 2021 results. Our mortgage portfolio continues to grow in response to a buoyant housing market propelled by very low interest rates. We have been enhancing our sales and marketing capabilities, services to our mortgage brokers and our underwriting efficiency," said Karen Weaver, President and Chief Executive Officer. "We are also very pleased with our $20.4 million capital raise during the quarter which reflects our growth and support from our existing shareholders. We continue to focus on sustainable growth, reliable dividends and increasing return on equity for our shareholders."

Highlights

- Corporate assets totalled $1.82 billion at June 30, 2021, an increase of $260 million (17%) from December 31, 2020 driven by growth in all our major assets:
    - Uninsured single family originations totalled $252 million year to date 2021, an increase of $149 million (144%) from the same period in 2020.
    - Construction and commercial originations totalled $367 million year to date 2021, an increase of $194 million (113%) from the same period in 2020.
    - Marketable securities totalled $70 million at June 30, 2021, an increase of $20 million (41%) from December 31, 2020 due to $10 million of REIT purchases and $10 million of fair value gains.
    - Non-marketable securities totalled $60 million at June 30, 2021, an increase of $4 million (7%) from December 31, 2020 primarily from three new investments with $26 million in remaining capital commitments expected to fund over approximately two years.
- Securitized mortgages totalled $1.43 billion at June 30, 2021, an increase of $299 million (26%) from December 31, 2020 primarily due to an increase in originations and securitizations:
    - Insured single family originations totalled $366 million year to date 2021, an increase of $165 million (82%) from the same period in 2020.
    - Insured single family securitizations totalled $403 million year to date 2021, an increase of $168 million (72%) from the same period in 2020.

Financial Update

- Net corporate mortgage spread income[1] increased by $2.0 million for Q2 2021 from Q2 2020 and increased $2.8 million for year to date 2021 from 2020 due to a higher average corporate mortgage portfolio balance[1] and an increase in the spread of corporate mortgages over term deposit interest[1], as a result of a larger reduction in term deposit rates compared to mortgage rates. The initial impact of COVID-19 caused a temporary higher demand for liquidity by financial institutions in the term deposit market resulting in higher term deposit funding costs primarily in the second quarter of 2020.
- Net securitized mortgage spread income[1] increased by $1.6 million for Q2 2021 from Q2 2020 and increased $2.8 million for year to date 2021 from 2020 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]. In Q2 2020, the decrease in interest rates led to an increase in the number of early repaid mortgages causing higher indemnity expenses incurred compared to penalty income received which decreased the spread of securitized mortgages over liabilities[1].

- Allowance for credit losses on our corporate mortgage portfolio totalled $6.0 million at June 30, 2021, a net decrease of $0.2 million from December 31, 2020 and $0.3 million from June 30, 2020. The decrease is due to improved economic forecasts stemming from the vaccine roll-out and reopenings, partially offset by growth in our portfolio versus the prior periods.

- Equity income from MCAP Commercial LP ("MCAP") totalled $6.9 million in Q2 2021, an increase of $3.8 million (118%) from $3.1 million in Q2 2020, and totalled $13.6 million for year to date 2021, an increase of $7.0 million (107%) from $6.6 million year to date 2020. For Q2 2021 and year to date 2021, this was mainly due to increased volumes which contributed to higher mortgage related income on the sale and securitization of these mortgages, higher assets under management due to higher net growth in their portfolio and onboarding of an additional subservicing portfolio compared to prior year. There were also lower financial instrument losses in Q2 2021 and higher economic hedge gains year to date 2021 versus the same prior periods. These were partially offset by lower mortgage spreads in Q2 2021 compared to prior year. On July 14, 2021, MCAP announced the purchase of Paradigm Quest Inc. which is expected to increase assets under management. The transaction is expected to be completed in Q3 2021. We expect that MCAP will have enhanced earnings post-closing given this acquisition.

- In Q2 2021, we recorded a $6.5 million net gain on securities compared to a $1.4 million net gain on securities in Q2 2020. Year to date net gain on securities was $10.4 million for 2021 compared to a year to date net loss on securities of $14.3 million for 2020. We continue to see some volatility in the market value of our REIT portfolio amid optimism in the economic forecasts, reopenings, and vaccination rates though slightly impacted by concerns regarding variants.

- Return on average shareholders' equity[1] was 21.28% in Q2 2021 compared to 9.96% in Q2 2020. Return on average shareholders' equity[1] was 19.75% for 2021 year to date, which compares to (1.21)% in 2020.

Credit Quality

- The impaired corporate mortgage ratio[1] was 0.11% at June 30, 2021 compared to 1.10% at March 31, 2021 and 0.30% at December 31, 2020. The increase in the previous quarter was due to one construction loan where an asset recovery program was initiated and we recovered all past due interest and principal in Q2 2021. The impairment of this construction mortgage was not related to COVID-19.

- The impaired total mortgage ratio[1] was 0.07% at June 30, 2021 compared to 0.55% at March 31, 2021 and 0.18% at December 31, 2020. The increase in the previous quarter is discussed above.

- The arrears total mortgage ratio[1] was 0.58% at June 30, 2021 compared to 1.19% at March 31, 2021 and 1.25% at December 31, 2020. The increase in the previous two quarters relates to the one construction loan discussed above.

- Average loan to value ratio ("LTV") of our uninsured single family portfolio based on an industry index of current real estate values was 58.0% at June 30, 2021 compared to 60.0% at March 31, 2021 and 60.6% at December 31, 2020.

Capital

- To support our continued growth and maintain our targeted capital requirements, we offered rights to eligible holders of the Company's common shares of record at the close of business on May 12, 2021 which expired on June 10, 2021. On June 10, 2021, we issued 1,306,467 new common shares at a price of $15.65 per common share and raised gross proceeds of $20.4 million from our rights offering which was 2.96 times oversubscribed.

- We issued 87,543 new common shares through the Dividend Reinvestment Plan ("DRIP") in Q2 2021 compared to 106,242 in Q2 2020. The DRIP participation rate was 17% for Q2 2021 compared to 16% for the Q2 2020 dividend. 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.

- The income tax assets to capital ratio[1] was 5.05 at June 30, 2021 compared to 5.05 at March 31, 2021 and 5.09 at December 31, 2020.

- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[1,2] were 21.91% at June 30, 2021 compared to 21.65% at March 31, 2021 and 21.67% at December 31, 2020. Total Capital to risk-weighted assets ratio[1,2] was 22.24% at June 30, 2021 compared to 22.02% at March 31, 2021 and 22.02% at December 31, 2020.

- The leverage ratio[1] was 9.59% at June 30, 2021 compared to 9.69% at March 31, 2021 and 10.17% at December 31, 2020.

[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 set at 70% in fiscal 2020, 50% in fiscal 2021 and 25% in fiscal 2022.*

Non-IFRS Measures

The following metrics are considered to be Non-IFRS measures and are defined in the "Non-IFRS Measures" section of the 2021 Second Quarter 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, Arrears Total 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 2021 Second 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.

For our Outlook, refer to the "Outlook" section of the 2021 Second Quarter 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 12, 2021 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;
- 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 or any further outbreaks, including measures to prevent its spread and related government actions adopted in response, will have on our business continues to be 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.