MCAN FINANCIAL GROUP ANNOUNCES Q1 2023 RESULTS AND DECLARES $0.36 REGULAR CASH DIVIDEND

Toronto, Ontario - May 8, 2023. MCAN Mortgage Corporation d/b/a MCAN Financial Group ("MCAN", the "Company" or "we") (TSX: "MKP") reported net income of $23.3 million ($0.67 earnings per share) for the first quarter of 2023, an increase from net income of $15.5 million ($0.52 earnings per share) in the first quarter of 2022. First quarter 2023 return on average shareholders' equity[1] was 18.60% compared to 14.19% in the prior year. We reported higher total net income mainly as a result of higher net corporate mortgage spread income from the higher interest rate environment and growth in our portfolio. Our net corporate mortgage spread income[1] increased by $9.0 million from Q1 2022.

The Board of Directors declared a second quarter regular cash dividend of $0.36 per share. The dividend will be paid on June 30, 2023 to shareholders of record as of June 15, 2023.

"Our first quarter results from our core lending business were solid and affirm our strategy of working on controllable factors to protect our net mortgage spread income and therefore our bottom line. While higher interest rates and inflation continue to cause uncertainty in the Canadian real estate landscape, we believe our assets are resilient through various economic cycles and, therefore, our financial performance over the long term as well," said Karen Weaver, President and Chief Executive Officer. "We have successfully deployed our capital from last quarter's shareholder rights offering and we remain focused on delivering solid margins in our mortgage and lending business. With the foundation we have built over more than 4 years, we are poised to continue our strategic and profitable growth with our strong portfolio and dedication to customer service. Our team culture, evidenced by being recently recognized as a 2023 Best Workplaces™ in Canada and 2023 Mortgage Employer of the Year by Canadian Mortgage Professional, enhances our ability to effectively tackle change and opportunity in our business. We look to continue to improve our market position and invest in communities and homes for Canadians."

Highlights

- Corporate assets totalled $2.39 billion at March 31, 2023, a net increase of $102 million (4%) from December 31, 2022:
    - Construction and commercial mortgages totalled $963 million at March 31, 2023, a net increase of $33 million (4%) from December 31, 2022. In Q1 2023, the positive movement in the construction and commercial portfolios is attributed to net originations of $119 million in new construction and commercial mortgages, partially offset by maturities and repayments.
    - Uninsured residential mortgages totalled $848 million at March 31, 2023, a net increase of $20 million (2%) from December 31, 2022. Uninsured residential mortgage originations totalled $63 million year to date 2023, a decrease of $57 million (47%) from the same period in 2022. We actively managed origination volumes in order to protect our net interest margins and our bottom line since the second half of 2022. Volumes were also slower in the first part of Q1 2023 as a result of general market conditions, with many Canadians electing not to participate in the housing market given higher rates and inflation, and uncertainty on further Bank of Canada rate hikes. However, we have seen an increase in our uninsured residential mortgage renewals with $112 million in Q1 2023 compared to $79 million in Q1 2022 as we worked with our borrowers to ease the impact on them from the current interest rate environment and mortgage stress tests.
    - Non-marketable securities totalled $102 million at March 31, 2023, an increase of $5 million (5%) from December 31, 2022 with $76 million of remaining capital advances expected to fund over the next five years.
    - Marketable securities totalled $55 million at March 31, 2023, a net increase of $1 million (2%) from December 31, 2022. In 2023, we saw REIT prices increase due to improving economic forecasts and the Bank of Canada pausing interest rate hikes compared to the previous quarter.
- Securitized mortgages totalled $1.72 billion at March 31, 2023, a net decrease of $27 million (2%) from December 31, 2022. We decreased our insured residential mortgage originations and securitization volumes in favour of selling our insured residential mortgage commitments given extremely tight and even negative securitization spreads in the market in the first part of Q1 2023. Overall, total origination volumes (including commitments sold) were lower as a result of the higher interest rate environment.
    - Insured residential mortgage originations totalled $68 million year to date 2023, a decrease of $113 million (62%) from the same period in 2022. This includes $12 million of insured residential mortgage commitments originated and sold compared to $33 million in 2022. Insured residential mortgage securitizations totalled $11 million year to date 2023, a decrease of $126 million (92%) from the same period in 2022. We use various channels in funding the insured residential mortgage portfolio, in the context of market conditions and net contributions over the life of the mortgages, in order to support our overall business.

Financial Update

- Net corporate mortgage spread income[1] increased by $9.0 million for Q1 2023 from Q1 2022 mainly due to a higher average corporate mortgage portfolio balance from continued net mortgage originations and an increase in the spread of corporate mortgages over term deposit interest and expenses mainly from our floating rate residential construction mortgages. On the term deposit side, we have had a greater focus on changing the laddering of the duration of our term deposits given the higher interest rate environment, therefore resulting in a smaller increase in our average term deposit rates.
- Net securitized mortgage spread income[1] decreased by $0.4 million for Q1 2023 from Q1 2022 mainly due to a decrease in the spread of securitized mortgages over liabilities partially offset by a higher average securitized mortgage portfolio balance from originations of insured residential mortgages exceeding maturities. We have seen the spread of securitized mortgages over liabilities decline on securitizations since 2022 mainly as a result of higher securitization liability interest expense from significantly increasing Government of Canada bond yields in a higher interest rate environment.
- For Q1 2023, we had a provision for credit losses on our corporate mortgage portfolio of $1.2 million compared to a recovery of credit losses of $1.3 million in Q1 2022. For Q1 2023, the provision was mainly due to one commercial loan where an asset recovery program will be initiated and we expect to recover all past due principal and interest. This was partially offset by more favourable provincial outlook and assumptions for our loans in Alberta, as well as improving economic forecasts from lower inflation and job growth. For Q1 2022, the recovery was mainly due to improved economic forecasts as we recovered from the pandemic partially offset by growth in our portfolio and uncertainty around inflation.
- Equity income from MCAP Commercial LP ("MCAP") totalled $8.0 million in Q1 2023, an increase of $2.8 million (53%) from $5.2 million in Q1 2022. The increase in the quarter was primarily due to (i) higher servicing and administration revenue from higher assets under management; (ii) higher investment revenue from higher average mortgage rates; (iii) a decrease in origination and processing costs due to lower funding volumes; and (iv) higher financial instrument gains resulting from hedge gains, lower fair value losses and lower hedge costs. These were partially offset by (i) lower mortgage origination and processing fees from lower commitment and whole loan sales; (ii) higher securitization expenses; and (iii) higher interest expenses on warehousing and repo facilities from higher interest rates.
- In Q1 2023, we recorded a $1.0 million unrealized fair value gain on securities from the impact on REIT prices of improving economic forecasts and the Bank of Canada pausing interest rate hikes compared to the previous quarter. During Q1 2022, we recorded (i) a $3.0 million unrealized fair value gain from the impact on REIT prices of improved economic forecasts at that time as we recovered from the pandemic; and (ii) a $1.8 million realized fair value loss on one REIT in our portfolio that had a mandatory corporate action resulting in privatization. We expect continued volatility in the REIT market. We are long term investors and continue to realize the benefits of solid cash flows and distributions from these investments.

Credit Quality

- Impaired corporate mortgage ratio[1] was 1.92% at March 31, 2023 compared to 1.66% at December 31, 2022. At March 31, 2023, we have two construction loans, one commercial loan and one uninsured - completed inventory mortgage that are impaired. Asset recovery programs are being initiated for all of our impaired loans and we expect to recover all past due principal and interest.
- Impaired total mortgage ratio[1] was 1.05% at March 31, 2023 compared to 0.89% at December 31, 2022. The increase at March 31, 2023 is due to one commercial mortgage and one uninsured - completed inventory mortgage. Asset recovery programs are being initiated for all of our impaired loans and we expect to recover all past due principal and interest.
- Arrears total mortgage ratio[1] was 1.57% at March 31, 2023, consistent with December 31, 2022.
- Average loan to value ratio ("LTV") of our uninsured residential mortgage portfolio based on an industry index of current real estate values was 64.7% at March 31, 2023 compared to 62.1% at December 31, 2022.

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 Office of the Superintendent of Financial Institutions Canada ("OSFI"). All of our capital ratios are within our regulatory and internal risk appetite guidelines.
- In 2021, we filed a Prospectus Supplement to our Base Shelf prospectus establishing an ATM Program to issue up to $30 million common shares to the public from time to time over a 2 year period at the market prices prevailing at the time of sale. The volume and timing of distributions under the ATM Program are determined at our sole discretion. During Q1 2023, we sold 8,300 common shares at a weighted average price of $15.03 for gross proceeds of $125,000 and net proceeds of $83,000 including $2,500 of commission paid to our agent and $39,000 of other share issuance costs under the ATM Program.
- We issued $6.9 million in new common shares through the Dividend Reinvestment Program ("DRIP") in Q1 2023 compared to $3.4 million in new common shares in Q1 2022. The DRIP participation rate was 29% for the Q1 2023 dividend (Q1 2022 - 17%).
- The income tax assets to capital ratio[3] was 5.02 at March 31, 2023 compared to 4.93 at December 31, 2022.

- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[2] were 19.59% at March 31, 2023 compared to 19.60% at December 31, 2022. Total Capital to risk-weighted assets ratio[2] was 19.81% at March 31, 2023 compared to 19.83% at December 31, 2022.

- The leverage ratio[2] was 9.94% at March 31, 2023 compared to 9.83% at December 31, 2022.

[1] *Considered to be a non-GAAP and other financial measure. For further details, refer to the "Non-GAAP and Other Financial Measures" section of this new release. Non-GAAP and other financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.*
[2] *These measures have been calculated in accordance with OSFI's Leverage Requirements and Capital Adequacy Requirements guidelines. Effective March 31, 2020, the total capital ratios in 2022 reflected 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 were included in CET 1 capital. The adjustment to CET 1 capital was 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, was subject to a scaling factor that decreased over time and was 25% in fiscal 2022.*
[3] *Tax balances are calculated in accordance with the Tax Act.*

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders will be held at 4:30pm (Toronto time) on May 9, 2023.

Further Information

Complete copies of the Company's 2023 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.mcanfinancial.com.

For our Outlook, refer to the "Outlook" section of the 2023 First 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 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 residential mortgages, 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 broker distribution network across Canada consisting of third party deposit agents and financial advisors. We manage our capital and asset balances based on the regulations and limits of both the Tax Act and OSFI. All of our capital ratios are within our regulatory and internal risk appetite guidelines.

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, MCAN Home Mortgage Corporation, is an originator of residential mortgage products across Canada.

For how to enroll in the DRIP, please refer to the Management Information Circular dated March 13, 2023 or visit our website at www.mcanfinancial.com/investors/regulatory filings/dividends - historical. 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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Non-GAAP and Other Financial Measures

This news release references a number of non-GAAP and other financial measures and ratios to assess our performance such as return on average shareholders' equity, net corporate mortgage spread income, net securitized mortgage spread income, impaired corporate mortgage ratio, impaired total mortgage ratio, and arrears total mortgage ratio. These measures are not calculated in accordance with International Financial Reporting Standards ("IFRS"), are not defined by IFRS and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. These metrics are considered to be non-GAAP and other financial measures and are incorporated by reference and defined in the "Non-GAAP and Other Financial Measures" section of our 2023 First Quarter Management's Discussion and Analysis of Operations ("MD&A") available on SEDAR at www.sedar.com. Below are reconciliations for our non-GAAP financial measures included in this news release using the most directly comparable IFRS financial measures.

Net Corporate Mortgage Spread Income
Non-GAAP financial measure that is an indicator of net interest profitability of income-earning assets less cost of funding for our corporate mortgage portfolio. It is calculated as the difference between corporate mortgage interest and term deposit interest and expenses.

(in thousands) **For the Periods Ended March 31**	**2023**	**2022**	**Change ($)**
Mortgage interest - corporate assets	$ 35,756	$ 20,508	
Term deposit interest and expenses	14,741	8,518	
Net Corporate Mortgage Spread Income	**$ 21,015**	**$ 11,990**	**$ 9,025**

Net Securitized Mortgage Spread Income
Non-GAAP financial measure that is an indicator of net interest profitability of income-earning securitization assets less cost of securitization liabilities for our securitized mortgage portfolio. It is calculated as the difference between securitized mortgage interest and interest on financial liabilities from securitization.

(in thousands) **For the Periods Ended March 31**	**2023**	**2022**	**Change ($)**
Mortgage interest - securitized assets	$ 9,068	$ 7,257	
Interest on financial liabilities from securitization	7,501	5,249	
Net Securitized Mortgage Spread Income	**$ 1,567**	**$ 2,008**	**$ (441)**

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, economic environment and outlook;
- the impact of global health pandemics on the Canadian economy and globally;
- 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;
- the performance of our investments;
- factors affecting our competitive position within the housing lending market;
- international trade, international economic uncertainties, failures of international financial institutions and geopolitical uncertainties and their impact on the Canadian economy;
- sufficiency of our access to liquidity and capital resources;
- the timing and 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;
- factors and assumptions regarding interest rates, including the effect of Bank of Canada actions already taken;
- the effect of supply chain issues;
- the effect of inflation;
- housing sales and residential mortgage borrowing activities;
- the effect of household debt service levels;
- the effect of competition;
- systems failure or cyber and security breaches;
- the availability of funding and capital to meet our requirements;
- investor appetite for securitization products;
- 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, and market conditions relating to, our equity and other investments.

External conflicts such as the Russia/Ukraine conflict, failures of international financial institutions, and post-pandemic government and Bank of Canada actions taken, have resulted in uncertainty relating to the Company's internal expectations, estimates, projections, assumptions and beliefs, including with respect to the Canadian economy, employment conditions, interest rates, supply chain issues, inflation, levels of housing activity and household debt service levels. There can be no assurance that such expectations, estimates, projections, assumptions and beliefs will continue to be valid. The impact any further pandemics, variants or outbreaks, including measures to prevent their spread and related government actions adopted in response thereto, will have on our business is uncertain and difficult to predict.

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 risk that any of the above opinions, estimates or assumptions are inaccurate and the other risks and uncertainties referred to in our Annual Information Form for the year ended December 31, 2022, our 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 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.