MCAN FINANCIAL GROUP ANNOUNCES Q3 2023 RESULTS AND DECLARES $0.38 REGULAR CASH DIVIDEND

Toronto, Ontario - November 6, 2023. MCAN Mortgage Corporation d/b/a MCAN Financial Group ("MCAN", the "Company" or "we") (TSX: MKP) reported net income of $18.5 million ($0.53 earnings per share) for the third quarter of 2023, an increase from net income of $11.7 million ($0.37 earnings per share) in the third quarter of 2022. Third quarter 2023 return on average shareholders' equity1 was 14.20% compared to 10.52% for the same period in the prior year. Year to date 2023, we reported net income of $57.6 million ($1.66 earnings per share), an increase from net income of $31.3 million ($1.01 earnings per share) for the same period in the prior year. Year to date 2023 return on average shareholders' equity1 was 15.06% compared to 9.47% for the same period in the prior year. We reported higher total net income mainly as a result of higher net corporate mortgage spread income. Our net corporate mortgage spread income1 increased by $8.2 million for the current quarter and $25.2 million for the current year to date compared to the same periods in the prior year. While the economy continues to change and provide uncertainty, we are committed to a strategy of managing controllable factors to protect our bottom line and taking advantage of opportunities that arise.

The Board of Directors declared a fourth quarter regular cash dividend of $0.38 per share to be paid on January 2, 2024 to shareholders of record as of December 15, 2023. As a mortgage investment corporation, we pay out all of our taxable income to shareholders through dividends. As a result of tax timing differences on various investing strategies that we have engaged in, we currently do not expect to have taxable income per share materially greater than our regular cash dividends per share for 2023. We therefore do not anticipate distributing a special dividend, or if so not a material one, in the first quarter of 2024. Depending on various factors, whether we distribute a special dividend may be subject to change.

"Our diversified portfolio continues to deliver strong results despite having to closely navigate and monitor market conditions, credit quality, geopolitical conflicts and other economic factors that could impact our business. It has been a very challenging economic environment, yet while the economy will continue to change and provide uncertainty, our entire MCAN team has contributed to successfully growing our business and improving all aspects of our operations," said Derek Sutherland, Interim Chief Executive Officer. "Looking ahead, we will continue to focus on the growth and profitability of our business to drive value for all our stakeholders. Our embedded culture of being vigilant and proactively managing the business through market volatility forms the roots of our exceptional performance."

Highlights

- Corporate assets totalled $2.67 billion at September 30, 2023, a net increase of $384 million (17%) from December 31, 2022.
- Construction and commercial mortgages totalled $1.09 billion at September 30, 2023, a net increase of $164 million (18%) from December 31, 2022. Year to date 2023, the positive movement in the construction and commercial portfolios is attributed to originations of $480 million in new construction and commercial mortgages, partially offset by maturities and repayments. Originations have been strong this year and some extensions of projects due to normal construction delays or normal delays relating to the permitting and zoning process has meant that we have not experienced as much run-off in the portfolio as expected. To date, projects continue to progress toward completion.
- Uninsured residential mortgages totalled $956 million at September 30, 2023, a net increase of $128 million (15%) from December 31, 2022. Uninsured residential mortgage originations totalled $284 million year to date 2023, a decrease of $36 million (11%) from the same period in 2022. We actively manage origination and renewal volumes in order to protect our net interest margins and our bottom line. Volumes were also slower in the first part of 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 renewal rates with renewals of $380 million year to date 2023 compared to $308 million year to date 2022 as borrowers find it more convenient to stay with their current lender in the current market environment.
- Non-marketable securities totalled $112 million at September 30, 2023, an increase of $14 million (15%) from December 31, 2022 with $78 million of remaining capital advances expected to fund over the next five years.
- Marketable securities totalled $46 million at September 30, 2023, a net decrease of $8 million (14%) from December 31, 2022 due to net unrealized fair value losses. In 2023, we saw more significant declines in REIT prices mainly from the steeply rising interest rate environment.

- Securitized mortgages totalled $1.84 billion at September 30, 2023, a net increase of $84 million (4.8%) from December 31, 2022. Insured residential mortgages totalled $269 million at September 30, 2023, a net increase of $125 million (86%) from December 31, 2022.
    - Overall, for the year to date, total origination volumes (including commitments sold) were lower in 2023 as a result of the higher interest rate environment, particularly for first time home buyers, who would be a significant portion of the borrowers of insured residential mortgages. Insured residential mortgage originations totalled $375 million year to date 2023, a decrease of $125 million (25%) from the same period in 2022. This includes $25 million of insured residential mortgage commitments originated and sold compared to $184 million in 2022. Insured residential mortgage securitizations totalled $232 million year to date 2023, a decrease of $83 million (26%) 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 income1 increased by $8.2 million for Q3 2023 from Q3 2022 and increased $25.2 million for year to date 2023 from year to date 2022 mainly due to a higher average corporate mortgage portfolio balance from continued net mortgage originations and renewals, 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 been actively managing our interest rate risk during this period of higher interest rates by continually reviewing, and if necessary, changing the laddering of the duration of our term deposits relative to our corporate mortgage portfolio. We are seeing the increase in average term deposit rates generally exceeding the pace of increase in our mortgage portfolio, given the amount of term deposits that we originated coupled with the impact of maturing lower-rate term deposits.
- Net securitized mortgage spread income1 decreased by $0.3 million for Q3 2023 from Q3 2022 and decreased $0.9 million for year to date 2023 from year to date 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. Since 2022, we have seen the spread of securitized mortgages over liabilities decline on securitizations mainly as a result of higher securitization liability interest expense from higher Government of Canada bond yields in a rising interest rate environment.
- For Q3 2023, we had a provision for credit losses on our corporate mortgage portfolio of $0.4 million compared to a provision for credit losses of $0.9 million in Q3 2022. For year to date 2023, we had a provision for credit losses on our corporate mortgage portfolio of $2.4 million compared to a provision for credit losses of $27 thousand for year to date 2022. For year to date 2023, the provision was mainly due to growth in our portfolio and less favourable underlying economic forecasts.
- Equity income from MCAP Commercial LP totalled $4.3 million in Q3 2023, a decrease of $3.9 million (48%) from $8.2 million in Q3 2022, and totalled $17.6 million for year to date 2023, a decrease of $2.1 million (11%) from $19.7 million year to date 2022. For year to date 2023, the decrease was primarily due to (i) lower mortgage origination fees from lower mortgage originations and sales; (ii) a decrease in fair value adjustments on mortgages due to the higher interest rate environment; and (iii) higher interest expense on credit facilities. These were partially offset by (i) higher securitized mortgage interest income from a higher average securitized portfolio; (ii) higher hedge gains; (iii) higher investment revenue from higher average mortgage rates; and (iv) lower mortgage origination expenses from lower origination volumes.
- In Q3 2023, we recorded a $1.6 million net unrealized loss on our marketable and non-marketable securities compared to a $5.1 million net unrealized loss on our marketable securities in Q3 2022. Year to date net unrealized loss on marketable and non-marketable securities was $5.6 million for 2023 compared to a year to date net realized and unrealized loss on our marketable securities of $13.8 million for 2022. In 2023, we saw REIT prices decrease due to Bank of Canada interest rate increases resuming and uncertainty around future rate increases and recessionary pressures. In 2022, we saw more significant declines in REIT prices mainly from the steeply rising interest rate environment. We are invested for the long term and we continue to realize the benefits of solid cash flows and distributions from these investments. Year to date, we received distributions of $2.8 million (distribution yield1 of 6.22%) from our REITs compared to $2.7 million (distribution yield1 of 5.86%) in 2022. In Q3 2023, we had a $2.1 million unrealized gain on our non-marketable securities investments due to value-add leasing activity on one underlying property investment. In year to date 2022, we also had a $1.8 million realized loss on one REIT in our portfolio that had a mandatory corporate action resulting in its privatization.

Credit Quality

- Impaired corporate mortgage ratio1 was 1.76% at September 30, 2023 compared to 1.70% at June 30, 2023 and 1.66% at December 31, 2022. At September 30, 2023, we have two impaired construction mortgages and one commercial loan where asset recovery programs have been initiated and we expect to recover all past due interest and principal.
- Impaired total mortgage ratio1 was 0.99% at September 30, 2023 compared to 0.96% at June 30, 2023 and 0.89% at December 31, 2022.
- Arrears total mortgage ratio1 was 2.16% at September 30, 2023 compared to 1.73% at June 30, 2023 and 1.57% at December 31, 2022. The majority of our residential mortgage arrears activity occurs in the 1-30 day category, in which the bulk of arrears are resolved and do not migrate to arrears categories over 30 days. While greater than 30 days arrears have increased in our residential mortgages, it is still low compared to the size of our portfolio and low relative to historical norms. We believe that we have a quality residential mortgage loan portfolio. We have also had historically low arrears related to our construction and commercial loan portfolios due to our prudent and selective lending methodology and our default management processes in these product types. We have a strong track record with our asset recovery programs should the need arise.
- Average loan to value ratio ("LTV") of our uninsured residential mortgage portfolio based on an industry index of current real estate values was 67.0% at September 30, 2023 compared to 67.4% at June 30, 2023 and 62.1% at December 31, 2022.

Capital

- During the current quarter, we renewed our (i) Base Shelf Prospectus; and (ii) ATM Program established pursuant to a Prospectus Supplement to our Base Shelf Prospectus allowing us 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 Q3 2023, we sold 100,000 common shares at a weighted average price of $16.28 for gross proceeds of $1.6 million and net proceeds of $1.4 million including $33 thousand of agent commission paid and $0.2 million of other share issuance costs under the ATM Program. Year to date 2023, we sold 153,400 common shares at a weighted average price of $16.12 for gross proceeds of $2.5 million and net proceeds of $2.1 million including $0.1 million of agent commission paid and $0.3 million of other share issuance costs under the ATM Program.
- We issued $4.0 million in new common shares in Q3 2023 (Q3 2022 - $2.0 million) and $14.5 million year to date 2023 (year to date 2022 - $7.4 million) through the Dividend Reinvestment Plan ("DRIP"). The DRIP participation rate for the 2023 third quarter dividend was 30% (2023 second quarter - 29%; 2022 third quarter - 17%). 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.
- Income tax assets to capital ratio3 was 5.14 at September 30, 2023 compared to 5.22 at June 30, 2023 and 4.93 at December 31, 2022.
- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios2 were 17.72% at September 30, 2023 compared to 17.90% at June 30, 2023 and 19.60% at December 31, 2022. Total Capital to risk-weighted assets ratio2 was 17.98% at September 30, 2023 compared to 18.14% at June 30, 2023 and 19.83% at December 31, 2022. Leverage ratio2 was 9.76% at September 30, 2023 compared to 9.71% at June 30, 2023 and 9.83% at December 31, 2022. Beginning June 30, 2023, our total capital and leverage ratios decreased due to Office of the Superintendent of Financial Institutions Canada's revised rules that incorporate Basel III reforms that came into effect. All of our capital and leverage ratios are within our regulatory and internal risk appetite guidelines.

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.

Further Information

Complete copies of the Company's 2023 Third Quarter Report will be filed on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca and on the Company's website at www.mcanfinancial.com.

For our Outlook, refer to the "Outlook" section of the 2023 Third 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. MCAN is Investing in Communities and Homes for Canadians.

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.

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 Third Quarter Management's Discussion and Analysis of Operations ("MD&A") available on SEDAR+ at www.sedarplus.ca. 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)	Q3	Q3	Change	YTD	YTD	Change
For the Periods Ended September 30	**2023**	**2022**	**($)**	**2023**	**2022**	**($)**
Mortgage interest - corporate assets	$ 44,144	$ 27,216		$ 118,591	$ 70,539	
Term deposit interest and expenses	21,083	12,330		53,858	31,033	
Net Corporate Mortgage Spread Income	**$ 23,061**	**$ 14,886**	**$ 8,175**	**$ 64,733**	**$ 39,506**	**$ 25,227**

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 September 30	Q3 2023	Q3 2022	Change ($)	YTD 2023	YTD 2022	Change ($)
Mortgage interest - securitized assets	$ 9,616	$ 7,949		$ 28,026	$ 22,804	
Interest on financial liabilities from securitization	8,147	6,214		23,172	17,096	
Net Securitized Mortgage Spread Income	**$ 1,469**	**$ 1,735**	**$ (266)**	**$ 4,854**	**$ 5,708**	**$ (854)**

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 geopolitical conflicts, 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.

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