MCAN FINANCIAL GROUP ANNOUNCES STRONG 2023 RESULTS AND INCREASES ITS REGULAR CASH DIVIDEND 5.4%

Toronto, Ontario - February 26, 2024. MCAN Mortgage Corporation d/b/a MCAN Financial Group ("MCAN", the "Company" or "we") (TSX: "MKP") reported our highest annual net income in our history of $77.5 million ($2.22 earnings per share) for 2023, an increase from net income of $55.4 million ($1.77 earnings per share) for the prior fiscal year. Return on average shareholders' equity[1] was 15.05% for 2023 compared to 12.47% for the prior fiscal year. We reported higher total net income for the year mainly as a result of higher net corporate mortgage spread income as we continued to adjust our portfolio to take advantage of the higher interest rate environment. Our net corporate mortgage spread income[1] increased by $30.7 million for the current fiscal year compared to the prior fiscal year. For the fourth quarter of 2023, we reported net income of $19.9 million ($0.56 earnings per share), a decrease from net income of $24.1 million ($0.75 earnings per share) in the fourth quarter of 2022. Fourth quarter 2023 return on average shareholders' equity[1] was 15.01% compared to 21.17% for the same period in the prior year. While net corporate mortgage spread income was strong and ahead of the prior year, a number of factors impacted our Q4 results, including recording a higher provision for credit losses in the current year. We are committed to a strategy of managing controllable factors to protect our bottom line and taking advantage of opportunities that arise in the current market environment.

The Board of Directors declared a first quarter regular cash dividend of $0.39 per share (a 5.4% increase on an annualized basis from 2023) to be paid on March 28, 2024 to shareholders of record as of March 15, 2024. As a mortgage investment corporation, we pay out all of our taxable income to shareholders through dividends. Largely as a result of tax timing differences on various investing strategies that we undertook in the second half of 2023, we will not need to distribute a special dividend in the first quarter of 2024.

"I am thrilled to announce that we have achieved exceptional year end results with our highest net income in our history. We grew our diversified assets by 16% during the year reaching almost $5 billion at year end. Our strong performance is a testament to the dedication and hard work of our talented team, coupled with strategic decision-making during this uncertain market to achieve profitable growth," said Don Coulter, Chief Executive Officer. "As we celebrate this remarkable achievement, we remain committed to driving sustainable growth and maximizing shareholder value in the long term."

Highlights

- Corporate assets totalled $2.76 billion at December 31, 2023, a net increase of $473 million (21%) from December 31, 2022.
  - Construction and commercial mortgages totalled $1.12 billion at December 31, 2023, a net increase of $187 million (20%) from December 31, 2022. Year to date 2023, the positive movement in the construction and commercial portfolios is attributed to originations of $666 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 $967 million at December 31, 2023, a net increase of $138 million (17%) from December 31, 2022. Uninsured residential mortgage originations totalled $352 million year to date 2023, a decrease of $17 million (4%) from the same period in 2022. The economic and interest rate environment and its impact on the housing market and borrowers has caused a slowdown in origination volumes in 2023. However, we have seen an increase in our uninsured residential mortgage renewal rates with renewals of $495 million year to date 2023 compared to $435 million year to date 2022 as borrowers find it more convenient to stay with their existing lender in the current market environment.
  - Non-marketable securities totalled $110 million at December 31, 2023, an increase of $13 million (13%) from December 31, 2022 with $76 million of remaining capital advances expected to fund over the next five years.
  - Marketable securities totalled $50 million at December 31, 2023, a net decrease of $3 million (6%) from December 31, 2022 due to net unrealized fair value losses. In 2023, we saw REIT prices decrease due to Bank of Canada interest rate increases and uncertainty around future rate increases and recessionary pressures.
- Securitized mortgages totalled $1.93 billion at December 31, 2023, a net increase of $179 million (10%) from December 31, 2022, due to continued originations being ahead of maturities in the securitized portfolio.
  - Overall, for the year to date, total insured residential 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 $523 million year to date 2023, a decrease of $65 million (11%) from the same period in 2022. This includes $25 million of insured residential mortgage commitments originated and sold in 2023 compared to $228 million in 2022. Insured residential mortgage securitizations totalled $359 million year to date 2023, a decrease of $67 million (16%) from the same period in 2022. Insured residential mortgages being held for upcoming securitizations totalled $277 million at December 31, 2023, a net increase of $132 million (91%) from December 31, 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] is derived from both our residential lending portfolio and our construction and commercial portfolio. It increased by $5.5 million for Q4 2023 from Q4 2022 and increased $30.7 million for year to date 2023 from year to date 2022 mainly due to a higher average corporate mortgage portfolio balance from continued mortgage originations and renewals, and an increase in the spread of corporate mortgages over term deposit interest and expenses. The increase in the spread was mainly attributable to the rising interest rate environment's impact on floating rates on residential construction loans that are now well above their floor rates.

- Net securitized mortgage spread income[1] increased marginally by $0.1 million for Q4 2023 from Q4 2022 due to a higher average securitized mortgage portfolio balance from insured residential mortgage originations as we continued to increase our mortgage lending in the Alberta and British Columbia urban markets. For year to date 2023, net securitized mortgage spread income[1] decreased $0.7 million 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 and renewals of insured residential mortgages. 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 higher interest rate environment.

- For Q4 2023, we had a provision for credit losses on our corporate mortgage portfolio of $2.1 million compared to a recovery of credit losses of $1.1 million in Q4 2022. For year to date 2023, we had a provision for credit losses on our corporate mortgage portfolio of $4.5 million compared to a recovery of credit losses of $1.1 million for year to date 2022. For year to date 2023, the provision was mainly due to growth in our portfolio, less favourable underlying economic forecasts relating to unemployment rates and housing prices, and model enhancements.

- Equity income from MCAP Commercial LP totalled $4.4 million in Q4 2023, a decrease of $2.5 million (35%) from $6.9 million in Q4 2022, and totalled $22.0 million for year to date 2023, a decrease of $4.6 million (17%) from $26.6 million year to date 2022. For Q4 2023 and year to date 2023, the decrease was primarily due to (i) lower mortgage origination fees from lower mortgage volumes sold; (ii) a decrease in fair value adjustments on mortgages due to the higher 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 servicing and administration income from higher assets under management; and (iii) higher investment revenue from higher average mortgage rates on non-securitized mortgages.

- In Q4 2023, we recorded a $2.0 million net unrealized fair value gain on our marketable and non-marketable securities compared to a $1.7 million net unrealized fair value gain in Q4 2022. Year to date net unrealized loss on our marketable and non-marketable securities was $3.6 million for 2023 compared to a year to date net realized and unrealized loss of $12.1 million for 2022. With respect to our marketable securities, year to date 2023 and 2022 saw REIT prices decrease due to Bank of Canada interest rate increases and uncertainty around future rate increases and recessionary pressures. Year to date, we received distributions of $3.6 million (distribution yield[1] of 6.44%) from our REITs compared to $3.6 million (distribution yield[1] of 6.01%) in 2022. With respect to our non-marketable securities, year to date 2023 we recorded (i) a $3.4 million unrealized loss mainly related to two underlying properties from general commercial real estate headwinds increasing capitalization rates as well as increased debt servicing costs that impact overall returns; and (ii) a $3.0 million unrealized gain related to construction and leasing completion and value-add activity on two underlying property investments. Our non-marketable securities are either held for long-term capital appreciation or distribution income and they tend to improve the diversification and risk and reward characteristics of our overall investment portfolio; however, the real estate development funds tend to have less predictable cash flows that are predicated on the completion of the development projects within the funds.

Credit Quality

- Impaired corporate mortgage ratio[1] was 3.26% at December 31, 2023 compared to 1.76% at September 30, 2023 and 1.66% at December 31, 2022. At December 31, 2023, impaired mortgages mainly represent five impaired construction mortgages where asset recovery programs have been initiated and we expect to recover all past due interest and principal.

- Impaired total mortgage ratio[1] was 1.82% at December 31, 2023 compared to 0.99% at September 30, 2023 and 0.89% at December 31, 2022. The increase to our impaired total mortgage ratio is related to the same construction mortgages discussed above.

- Arrears total mortgage ratio[1] was 2.70% at December 31, 2023 compared to 2.16% at September 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 industry norms. We believe that we have a quality residential mortgage loan portfolio. With respect to our construction and commercial loan portfolio, we have a strong track record with our default management processes and asset recovery programs as the need arises.

- Average loan to value ratio ("LTV") of our uninsured residential mortgage portfolio based on an industry index of current real estate values was 63.4% at December 31, 2023 compared to 67.0% at September 30, 2023 and 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").

- In 2023, we renewed our (i) Base Shelf prospectus; and (ii) at-the-market equity program ("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 MCAN's sole discretion. During 2023, we successfully 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.

- We issued $14.5 million in new common shares through the Dividend Reinvestment Plan ("DRIP") in 2023 compared to $7.4 million in 2022. The DRIP participation rate was 30% for the 2023 fourth quarter dividend (2022 fourth quarter dividend - 28%). The DRIP participation rate for 2023 dividends was 29% (2022 - 20%).

- Income tax assets to capital ratio[3] was 5.52 at December 31, 2023 compared to 5.14 at September 30, 2023 and 4.93 at December 31, 2022.

- Common Equity Tier 1 ("CET 1") and Tier 1 Capital to risk-weighted assets ratios[2] were 17.61% at December 31, 2023 compared to 17.72% at September 30, 2023 and 19.60% at December 31, 2022. Total Capital to risk-weighted assets ratio[2] was 17.91% at December 31, 2023 compared to 17.98% at September 30, 2023 and 19.83% at December 31, 2022. Leverage ratio[2] was 9.49% at December 31, 2023 compared to 9.76% at September 30, 2023 and 9.83% at December 31, 2022. Beginning June 30, 2023, our total capital and leverage ratios decreased due to OSFI'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 Annual 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 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 Tax Act. MCAN is the largest MIC in Canada and the only federally regulated MIC.

*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.

For further information, please contact:

MCAN Financial Group

Website: www.mcanfinancial.com

e-mail: mcanexecutive@mcanfinancial.com

Don Coulter
President and Chief Executive Officer
(416) 203-5931

Floriana Cipollone
Senior Vice President and Chief Financial Officer
(416) 591-5204

Non-GAAP and Other Financial Measures

This news release references a number of non-generally accepted accounting principles ("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 Annual 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) **At December 31**	**Q4 2023**	**Q4 2022**	**Change ($)**	**Annual 2023**	**Annual 2022**	**Change ($)**
Mortgage interest - corporate assets	$ 47,406	$ 30,747		$ 165,997	$ 101,286	
Term deposit interest and expenses	24,361	13,189		78,219	44,222	
Net Corporate Mortgage Spread Income	**$ 23,045**	**$ 17,558**	**$ 5,487**	**$ 87,778**	**$ 57,064**	**$ 30,714**

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) **At December 31**	**Q4 2023**	**Q4 2022**	**Change ($)**	**Annual 2023**	**Annual 2022**	**Change ($)**
Mortgage interest - securitized assets	$ 11,309	$ 8,607		$ 39,335	$ 31,411	
Interest on financial liabilities from securitization	9,597	7,005		32,769	24,101	
Net Securitized Mortgage Spread Income	**$ 1,712**	**$ 1,602**	**$ 110**	**$ 6,566**	**$ 7,310**	**$ (744)**

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;
- 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, and government and Bank of Canada economic policy 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 impacts that any further or escalating geopolitical conflicts or infectious disease outbreaks, including measures to prevent their spread, and the 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, 2023, 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.