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MCAN MORTGAGE CORPORATION REPORTS FIRST QUARTER EARNINGS

Toronto, Ontario – May 11, 2010. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") reported net income of $4.8 million for the first quarter of 2010, down from $6.4 million a year earlier. Earnings per share for the quarter were $0.33 compared to $0.45 last year. The decrease is primarily due to lower mortgage interest income and fee income and the absence of an upfront Canada Mortgage Bonds ("CMB") program securitization gain in the current year, partially offset by lower term deposit interest and expenses.

First quarter earnings per share of $0.33 decreased by $0.10 from the fourth quarter of 2009, mostly due to a substantial decrease in discount income realized on acquired mortgage portfolios, as discounts realized in the fourth quarter were unusually high. The fourth quarter of 2009 also had a significant individual mortgage provision that partially offset the aforementioned discount income.

The overall yield on our mortgage portfolio decreased by 1.10% from the fourth quarter of 2009, primarily due to the aforementioned strong performance in the acquired portfolios in the fourth quarter, although the yield on our regular portfolio increased by 0.44% during the first quarter. Continuing decreases in new term deposit funding costs led to a 0.23% decrease in the average term deposit interest rate compared to the fourth quarter of 2009.

MCAN did not participate in the CMB program during the first quarter, although we continue to earn significant residual securitization income from the CMB program.

Consistent with an improving economy, impaired mortgages as a percentage of total mortgages decreased from 5.81% to 4.79% during the quarter, while total mortgage arrears decreased by $7 million. While MCAN's arrears levels remain high by historical standards, we have not realized material losses since the onset of the recent recession.

Net Investment Income: Net investment income for the first quarter decreased from $7.7 million in 2009 to $6.1 million in 2010.

During the quarter, we realized $661,000 (included in mortgage interest income) relating to the partial recovery of purchase price discounts on MCAN's acquired portfolios, comparable to $662,000 in the prior year. We also received $217,000 (included in fees) from MCAP Commercial LP ("MCLP") from a profit sharing arrangement relating to discounted mortgages acquired by MCLP, compared to $1.6 million in 2009. The volume of discount recoveries from the mortgage portfolios of both companies can be volatile and difficult to predict.

Mortgage interest income decreased from $6.7 million to $5.6 million due to a $102 million decrease in the average mortgage portfolio, partially offset by a 0.56% increase in the average mortgage yield. The yields on both the acquired and regular portfolios increased from the prior year.

The mortgages in the acquired portfolios have higher effective yields than those in our regular portfolio, as they were acquired at a discount to their par values. The portion of the discount that we expect to recover is amortized into income over the remaining term of the respective mortgages. Upon the payout of a mortgage, the remaining unamortized discount is recognized as income.

Interest owing but not accrued on impaired mortgages is included in the mortgage yield to accurately represent the underlying portfolio. The mortgage yield for the quarter would have decreased by 0.26% if interest owing but not accrued was not included in the yield calculation.

As at March 31, 2010, we held discounted mortgages with a net discount of $21 million. We retain 50% of any recoveries of that amount, and we pay the remaining 50% to MCLP. The amount of the discount ultimately recovered is dependent on the value of the real estate securing the mortgage, as well as the financial capacity of the borrower. Additionally, these mortgages have maturity dates ranging from 2010 to 2032. As such, it is difficult to accurately estimate the timing and quantum of the discount ultimately recovered.

Interest on loans and investments decreased from $1.2 million to $877,000 as a result of a lower average portfolio balance in the current year and one-time interest received in the prior year. In the current year, we recognized an $82,000 gain (over carrying value) on the sale of our MAV II investment.

We recognized securitization income of $1.0 million compared to $2.3 million in the prior year. Current quarter income includes residual securitization income of $1.0 million (2009 - $391,000). We did not participate in any new mortgage securitizations during the quarter, while there was a gain from securitization of $1.9 million in the prior year. Residual securitization income increased over the prior year as a result of higher refinancing and renewal gains and a larger CMB portfolio.

Fees decreased from $2.3 million to $890,000, primarily due to the decrease noted above in fees received from MCLP related to discounted mortgage profit sharing.

Equity income from our ownership interest in MCLP was $396,000 in the quarter compared to $149,000 in the prior year.

Term deposit interest and expenses decreased from $4.0 million to $1.9 million as a result of a 1.89% decrease in the average interest rate and a $58 million decrease in the average outstanding balance. The average interest rate has continued to decrease over the last twelve months, as the funding rate on new term deposits has been significantly lower than that of the majority of maturing term deposits despite minimal changes in the prime rate.

Allowances for loan losses were increased by $246,000 during the quarter compared to an increase of $300,000 for the same period of the prior year. We increased general mortgage provisions by $300,000 in the current year compared to $404,000 in the prior year. The remaining composition of both years consists of a small reduction of specific mortgage provisions and a net recovery of loan and investment provisions. Write-offs were $67,000 during the quarter, down from $92,000 in the prior year.

Impaired mortgages as a percentage of total mortgages (net of specific allowances) were 4.79% ($16 million) at March 31, 2010, compared to 5.81% ($17 million) at December 31, 2009 and 1.42% ($6.2 million) at March 31, 2009. We continue to proactively monitor loan arrears and take prudent steps to collect overdue accounts.

Total mortgage arrears decreased from $31 million to $24 million during the quarter. The high arrears levels experienced in recent quarters are primarily due to two significant residential construction loan arrears, one in each of Ontario and Alberta. Our current arrears levels are a reflection of the general deterioration in the Canadian economy during 2009. There were no other assets in arrears at quarter end.

Operating Expenses: Operating expenses of $1.3 million were unchanged from the prior year.

Financial Position: As of March 31, 2010, total consolidated assets were $451 million, a decrease of $56 million from December 31, 2009. The change in assets since December 31, 2009 consists of decreases of $72 million in cash and $13 million in securitization investments, partially offset by an increase of $32 million in mortgages. Term deposit liabilities were $312 million at March 31, 2010, down $49 million from December 31, 2009. Total shareholders' equity of $123 million was unchanged from December 31, 2009. Activity for the quarter consisted of net income of $4.8 million, the issuance of $552,000 of new common shares, the recovery of $209,000 to retained earnings relating to current and future taxes and an increase to accumulated other comprehensive income of $287,000, partially offset by the first quarter dividend of $5.9 million.

Outlook: We continue to carry significant unutilized investment capacity, consistent with 2009. Our mortgage portfolio increased during the current quarter and we plan to continue to grow the mortgage portfolio throughout 2010 to employ some of this investment capacity. During the fourth quarter of 2009, we recommenced the funding of new uninsured single family mortgages. The market for new housing construction has improved, and we have experienced growth in both fundings and commitments for our residential construction loan portfolio.

Our average term deposit interest rate has continued to decrease as maturing deposits are replaced by new deposits at significantly lower rates. This decrease should contribute to improved spread income in 2010, compared to 2009. The level of the lower average deposit interest rates throughout 2010 will be dependent on the timing and magnitude of increases to the prime rate expected later in 2010.

Arrears in our single family mortgage portfolio remain high compared to historical levels due to continued high unemployment levels. However, we have experienced a reduction in arrears levels since the fourth quarter of 2009. Property values have stabilized in most markets in which we invest on rising sales volume. We have not experienced material loan losses resulting from these arrears.

Arrears in our construction loan portfolio also remain high. The large size of these loans causes them to skew our arrears statistics. The nature of these loans also usually results in a more protracted resolution period.

Economic growth and job creation was evident during the last quarter of 2009 and has continued through the first quarter of 2010. As this trend continues, we expect an increase in our mortgage portfolio and lower mortgage arrears.

Last quarter we advised that we are in discussions with staff of the Office of the Superintendent of Financial Institutions ("OSFI") in connection with a review being undertaken by OSFI. The review has focused on MCAN's relationship with both MCLP and MCAP Service Corporation ("MSC"), and whether either or both of those entities should be designated as related parties of MCAN in accordance with the Trust and Loan Companies Act. MCAN is co-operating with OSFI staff in connection with this review and is awaiting a response from OSFI on this issue.

MCLP and MSC are not currently related parties of MCAN, and MCAN has made oral and written submissions to OSFI as to why such entities should not be designated as related parties pursuant to the Superintendent's discretion under the Trust Act. At this stage, it is unclear what the results of the review will be. However, MCAN notes that if OSFI, in its discretion, decides to designate MCLP and/or MSC as related parties, any resulting restructuring that may be necessary could have at least a temporary negative impact on MCAN's operations and results.

Dividend: The Board of Directors declared a second quarter dividend of $0.26 per share to be paid June 30, 2010 to shareholders of record as of June 15, 2010.

Further Information: Complete copies of the Company's 2010 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.mcanmortgage.com by May 14, 2010.

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