**PRESS RELEASE**
**FOR IMMEDIATE RELEASE**

**Stock market symbol**
**TSX: MKP**

# MCAN MORTGAGE CORPORATION REPORTS 33% INCREASE IN FOURTH QUARTER EARNINGS AND RECORD ANNUAL NET INCOME

**Toronto, Ontario – February 26, 2016**. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") reported strong earnings today for both the fourth quarter and fiscal year of 2015.

## Highlights

**Q4 Net Income**

- Net income was $9.5 million in Q4 2015, up 33% from $7.1 million in Q4 2014 due to higher securitization income from an 83% increase in our average market mortgage-backed securities ("MBS") program mortgage portfolio and a $2.5 million income distribution received on a commercial real estate investment.
- Earnings per share increased by 24% to $0.42 in Q4 2015 from $0.34 in Q4 2014.
- Return on average shareholders' equity increased to 14.66% in Q4 2015 from 12.76% in Q4 2014.

**Fiscal 2015 Net Income**

- We earned record net income of $32.9 million in fiscal 2015, a 29% increase from $25.4 million in 2014. In addition to the items noted above for Q4 2015, equity income from our investment in MCAP Commercial LP ("MCAP") increased significantly from 2014.
- Earnings per share were $1.51 in fiscal 2015, up 23% from $1.23 per share in 2014.
- Return on average shareholders' equity increased to 13.45% in 2015 from 11.50% in 2014.

**Dividend**

- Consistent with the prior quarter dividend increase, the Board of Directors (the "Board") declared a first quarter dividend of $0.29 per share to be paid March 31, 2016 to shareholders of record as of March 15, 2016.

**Corporate Activity**

- Corporate assets totalled $1.16 billion at December 31, 2015, an increase of $63 million during Q4 2015.
- Q4 2015 corporate asset activity included increases of $63 million in mortgages, $5 million in marketable securities and $5 million in financial investments and a decrease of $16 million in cash and cash equivalents.
- Corporate mortgage portfolio increased to $944 million from $881 million during Q4 2015.
- Q4 2015 corporate mortgage activity included increases of $49 million in construction, $26 million in uninsured single family and $22 million in completed inventory loans and a decrease of $33 million in insured single family.

**Securitization Activity**

- We issued and sold $89 million of new MBS to third parties through the market MBS program in Q4 2015 and $589 million for fiscal 2015.
- We sold the residual economics (the "interest-only strips") associated with $147 million of mortgages that had previously been securitized through the market MBS program, which allowed us to derecognize the associated mortgages from our balance sheet and reduce the related capital utilization for regulatory purposes.

**Credit Quality**

- Impaired mortgages decreased to $2.7 million from $3.7 million during Q4 2015.
- Total impaired mortgage ratio decreased to 0.11% from 0.15% during Q4 2015.
- Corporate impaired mortgage ratio decreased to 0.23% from 0.34% during Q4 2015.

**Capital**

- Common Equity Tier 1, Tier 1 and Total Capital to risk-weighted assets ratios were 23.64% at December 31, 2015 on the transitional basis and 23.08% on the "all-in" basis compared to 25.77% and 25.21%, respectively, at September 30, 2015.
- Leverage ratio was 9.96% at December 31, 2015, up from 9.64% at September 30, 2015.
- Income tax asset capacity was $141 million at December 31, 2015, down from $191 million at September 30, 2015.

## Outlook

Canadian real estate markets are experiencing mixed performances as some regional economies adjust to reduced oil prices and the negative impact on employment, while other regional economies benefit from the lower Canadian dollar and employment strength in the manufacturing sector. As a result, housing markets in the Prairie Provinces are experiencing declines in home sales volumes as the markets adjust to reduced oil prices, slow growth and increasing unemployment. Meanwhile, home sales remain steady in Canada's largest cities, Toronto and Vancouver, as sales volumes continue to grow and housing inventory levels remain at historical lows due to building lot supply shortages. The rest of the country continues to see stable housing markets as a result of historically low mortgage rates.

We expect financial markets to remain volatile for the first half of 2016 with significant fluctuations in stock markets as slowing global growth and volatility in international currencies impact reported earnings and earnings multiples. In Canada the impact of oil and commodity prices continues to impact a significant portion of the market, raising concerns over low or negative economic growth, increases in unemployment rates and the spillover effect to consumer confidence. Volatility in stock markets and the continued weakness in global oil prices could have a negative influence on consumer confidence and the economy in 2016.

Consensus forecasted GDP growth rates for Canada are 1.4% in 2016. With low levels of economic growth, the risk of increased interest and mortgage rates is seen as low. We expect housing markets to continue to benefit from low mortgage rates and relatively stable employment in most of the country, with the exception of the Prairie Provinces. Although mortgage rates are expected to remain low, volatility within the bond market could marginally impact mortgage spreads as it did in the later part of 2015. Increased uncertainty in regional employment markets is expected to impact housing markets and could temper price appreciation in those markets. We expect housing sales, both new housing and resale, to decline moderately in the Prairie Provinces for 2016 due to weakness in demand.

The key risks to the housing market are the prospects for slow, and possibly negative, economic growth and increases in regional unemployment rates. These factors could have a direct impact on the stability of the regional housing markets, particularly in Alberta. The current level of relatively low mortgage rates should help to support home affordability and keep price appreciation in line with inflation. The impact of oversupply in local housing markets could lead to significant price volatility. We will continue to be diligent in monitoring local housing markets in which we lend and will closely monitor our mortgage portfolio for early indicators of potential performance concerns.

We expect construction activity to moderate nationally, with British Columbia and Ontario benefiting from the recent decline in the Canadian dollar and increased exports. Given economic uncertainty and slow growth projections for the Canadian economy, we are closely monitoring our construction portfolio and do not expect to materially grow the construction portfolio in 2016. Our portfolio remains well diversified with projects supported by presales in balanced markets and experienced developers.

Our strategy remains focused on growth in our insured and uninsured single family mortgage portfolio sourced through our direct Xceed origination platform. Our current view is that 2016 originations and portfolio growth in single family mortgages will allow us to continue to achieve our annual corporate asset growth target of 10%, which will further diversify and re-balance our portfolio to optimize return and lower our risk profile.

We participated in the MBS securitization market with regular issuances throughout 2015 totaling $589 million. We expect our MBS volumes to moderate in the first half of 2016 as we have reduced our volume expectations in the first quarter to allow for a system upgrade that includes new underwriting software. With origination volumes surpassing $500 million in 2015, the adoption of the new system will facilitate the future growth of the Xceed platform. We believe that this upgrade will enhance its capabilities and productivity as well as enhance our risk management processes.

## Non-IFRS Measures

The following metrics are considered to be Non-IFRS measures and are defined in the "Non-IFRS Measures" section of the MD&A: Return on Average Shareholders' Equity, Taxable Income, Taxable Income Per Share, Average Interest Rate, Net Interest Income, Impaired Mortgage Ratios, Mortgage Arrears, Common Equity Tier 1, Tier 1 and Total Capital Ratios, Total Exposures, Regulatory Assets, Leverage Ratio, Assets to Capital Multiple; Risk Weighted Assets Ratios, Tier 1, Tier 2, Tier 3 and Total Liquid Assets and Liquidity Ratios, Income Tax Assets, Income Tax Liabilities, Income Tax Capital, Income Tax Assets to Capital Ratio, Income Tax Asset Capacity, Market Capitalization, Book Value per Common Share and Limited Partner's At-Risk Amount.

## Further Information

Complete copies of the Company's 2015 Annual 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.

*MCAN is a public company listed on the Toronto Stock Exchange ("TSX") 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 its corporate funds in a portfolio of mortgages (including single family residential, residential construction, non-residential construction and commercial loans), as well as other types of financial investments, loans and real estate investments. MCAN employs leverage by issuing term deposits eligible for Canada Deposit Insurance Corporation ("CDIC") deposit insurance up to a maximum of five times capital (on a non-consolidated tax basis in the MIC entity) as permitted by the Tax Act. The term deposits are sourced through a network of independent financial agents. As a MIC, MCAN is entitled to deduct from income for tax purposes 100% of dividends, except for capital gains dividends, which are deducted at 50%. Such dividends are received by the shareholders as interest income and capital gains dividends, respectively.*

*MCAN's wholly-owned subsidiary, Xceed, focuses on the origination and sale to third party mortgage aggregators of residential first-charge mortgage products across Canada. As such, Xceed operates primarily in one industry segment through its sales team and mortgage brokers.*

*MCAN also participates in the NHA MBS program.*

For further information, please contact:

**MCAN Mortgage Corporation**

Website: www.mcanmortgage.com

e-mail: mcanexecutive@mcanmortgage.com

William Jandrisits
President and Chief Executive Officer
(416) 591-2726

Jeffrey Bouganim
Vice President and Chief Financial Officer
(416) 203-5935

**A CAUTION ABOUT FORWARD-LOOKING INFORMATION AND STATEMENTS**

This press release contains “forward-looking statements” within the meaning of applicable Canadian securities laws. The words “may,” “believe,” “will,” “anticipate,” “expect,” “planned,” “estimate,” “project,” “future,” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Such statements reflect management’s current beliefs and are based on information currently available to management. The forward-looking statements in this press release include, among others, statements and assumptions with respect to:

- the current business environment and outlook;
- possible or assumed future results;
- ability to create shareholder value;
- business goals and strategy;
- the stability of home prices;
- effect of challenging conditions on us;
- factors affecting our competitive position within the housing markets;
- the price of oil and its impact on housing markets in Western Canada;
- sufficiency of our access to capital resources; and
- the timing of the effect of interest rate changes on our cash flows.

The material factors or assumptions that were identified and applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking statements include, but are not limited to:

- the Company’s ability to successfully implement and realize on its business goals and strategy;
- factors and assumptions regarding interest rates;
- housing sales and residential mortgage borrowing activities;
- the effect of competition;
- government regulation of the Company’s business;
- computer failure or security breaches;
- future capital and funding requirements;
- the value of mortgage originations;
- the expected margin between interest earned on mortgage portfolios and interest paid on deposits;
- the relative continued health of real estate markets;
- acceptance of the Company’s products in the marketplace;
- availability of key personnel;
- the Company’s operating cost structure; and
- the current tax regime.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results to differ materially from the anticipated future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- global market activity;
- worldwide demand for and related impact on oil and other commodity prices;
- changes in government and economic policy;
- changes in general economic, real estate and other conditions;
- changes in interest rates;
- changes in MBS spreads and swap rates;
- MBS and mortgage prepayment rates;
- mortgage rate and availability changes;
- adverse legislation or regulation;
- availability of MBS issuer allocation;
- technology changes;
- confidence levels of consumers;
- ability to raise capital and term deposits on favourable terms;
- our debt and leverage;
- competitive conditions in the homebuilding industry, including product and pricing pressures;
- ability to retain our executive officers and other employees;
- litigation risk;
- relationships with our mortgage originators; and
- additional risks and uncertainties, many of which are beyond our control, referred to in this press release and our other public filings with the applicable Canadian regulatory authorities.

Subject to applicable securities law requirements, we undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports should be consulted.