PRESS RELEASE
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Stock market symbol
TSX: MKP

MCAN MORTGAGE CORPORATION REPORTS 81% INCREASE IN FIRST QUARTER EARNINGS

Toronto, Ontario – May 11, 2016. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") reported strong earnings today for the first quarter of 2016.

Highlights

Net Income

- Net income was $7.8 million in Q1 2016, an increase of $3.5 million (81%) from $4.3 million in Q1 2015 due to a 79% increase in securitization income ($0.6 million) from a higher market mortgage-backed securities ("MBS") program mortgage portfolio and a $1.4 million increase in equity income from MCAP Commercial LP ("MCAP"). Additionally, in Q1 2015 we had a hedge loss of $1.5 million which contributed to the increase.
- Earnings per share increased by $0.13 (62%) to $0.34 in Q1 2016 from $0.21 in Q1 2015.
- Increase of 58% in return on average shareholders' equity to 11.80% in Q1 2016 from 7.49% in Q1 2015.

Dividend

- Consistent with the prior quarter dividend, the Board of Directors (the "Board") declared a second quarter dividend of $0.29 per share to be paid June 30, 2016 to shareholders of record as of June 15, 2016.

Corporate Activity

- Corporate assets totalled $1.23 billion at March 31, 2016, an increase of $76 million from December 31, 2015.
- Q1 2016 corporate asset activity included increases of $54 million in mortgages, $10 million in financial investments and $8 million in marketable securities.
- The corporate mortgage portfolio increased by $54 million during Q1 2016 to $998 million from $944 million, which included increases of $59 million in construction, $23 million in insured single family and $6 million in commercial, offset by decreases of $16 million in uninsured single family and $18 million in completed inventory.
- Subsequent to quarter end, we completed the implementation of a new mortgage underwriting system and the upgrade of single family underwriting processes which we expect will facilitate growth in our internal Xceed origination platform.
- During Q1 2016, we originated $31 million of single family mortgages through our Xceed origination platform, consisting of $24 million of insured single family and $7 million of uninsured single family.

Securitization Activity

- During Q1 2016, we did not issue and sell any new MBS to third parties through the market MBS program but retained $20 million of MCAN-issued MBS on our corporate balance sheet.

Credit Quality

- Impaired mortgages increased to $4.9 million from $2.7 million during Q1 2016.
- The impaired total mortgage ratio increased to 0.20% from 0.11% during Q1 2016.
- The impaired corporate mortgage ratio increased to 0.41% from 0.23% during Q1 2016.
- Total mortgage arrears increased to $43 million from $34 million during Q1 2016.

Capital

- Our Common Equity Tier 1, Tier 1 and Total Capital to risk-weighted assets ratios were 22.42% at March 31, 2016 on the transitional basis and 22.07% on the “all-in” basis compared to 23.64% and 23.08%, respectively, at December 31, 2015.
- Our leverage ratio was 10.00% at March 31, 2016 compared to 9.96% at December 31, 2015.
- Income tax asset capacity was $135 million at March 31, 2016 compared to $141 million at December 31, 2015.

Outlook

Canadian real estate markets continue to experience mixed conditions, as some regional economies adjust to the negative impact of weak oil prices on employment while other regional economies benefit from the lower Canadian dollar and employment strength in the manufacturing sector. Housing markets in the Prairie Provinces continue to experience declines in home sale volumes and weak prices as markets adjust to reduced demand caused by weak oil prices, slow to negative economic growth and increasing unemployment. Meanwhile, home sales remain strong in Toronto and Vancouver, where home sales volumes continue to grow, prices are increasing and housing inventory levels remain at low levels. 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 fluctuations in stock markets as slowing global growth and volatility in international currencies impact corporate earnings and valuations. In Canada the impact of a weak oil sector and soft commodity prices continues to impact a significant portion of the market. Concerns over low or negative economic growth and increases in unemployment rates are expected to have a spillover effect on consumer confidence and spending in 2016.

Forecasted GDP growth rates for Canada have been reduced to 1.7% for 2016 with expected moderation in the second half of the year. With relatively 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. We expect housing sales, both new and resale, to decline moderately in the Prairie Provinces for 2016 due to weakness in demand.

We expect construction activity to moderate nationally, although British Columbia and Ontario are expected to benefit from strong net job growth caused by a weaker Canadian dollar and increased exports. Provinces with high concentrations in commodity producing industries such as mining, oil and gas are expected to experience relatively weak employment and declining construction levels. Given economic uncertainty and growth projections for a slower second half of the year in the Canadian economy, we are closely monitoring our construction portfolio. Our portfolio remains well diversified with projects supported by presales in balanced markets and experienced developers.

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 and Saskatchewan. The impact of oversupply in local housing markets could lead to significant price volatility. We will continue to be diligent in monitoring the local housing markets in which we lend and will closely monitor our mortgage portfolio for early indicators of potential performance concerns.

Based on a strong level of activity in the first quarter and a good pipeline of deals in construction and commercial, we believe that 2016 originations and portfolio growth will allow us to achieve our annual corporate asset growth target of 10%. We will continue to diversify and re-balance our portfolio to optimize return and lower our risk profile.

We expect the moderation in our single family origination volumes to continue into the second quarter of 2016, as we reduced volumes in the first quarter to allow for an underwriting system upgrade that includes new underwriting software. We believe that these enhancements will facilitate growth in our internal Xceed origination platform. To minimize the impact of reduced single family origination, we increased construction and commercial loan balances to provide a positive offset to income.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("DRIP") is a program that provides MCAN with a reliable source of new capital and existing shareholders an opportunity to acquire additional shares at a discount to market value. 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 5 days preceding such issue less a discount of 2%. For further information on how to enrol in the DRIP, please refer to the Management Information Circular dated March 11, 2016 or visit our website at www.mcanmortgage.com.

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 2016 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.

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.

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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.