PRESS RELEASE
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Stock market symbol
TSX: MKP

MCAN MORTGAGE CORPORATION REPORTS 36% INCREASE IN THIRD QUARTER EARNINGS AND INCREASE IN QUARTERLY DIVIDEND

Toronto, Ontario – November 11, 2016. MCAN Mortgage Corporation ("MCAN", the "Company" or "we") reported earnings today for the third quarter of 2016. Net income of $9.8 million increased by 36% from Q3 2015 and earnings per share of $0.43 increased by 34% from Q3 2015.

Highlights

Net Income

Q3 2016

- Net income was $9.8 million in Q3 2016, an increase of $2.6 million from $7.2 million in Q3 2015 as a result of higher equity income from MCAP Commercial LP ("MCAP"), higher corporate mortgage interest and a hedge loss incurred in Q3 2015, offset by higher operating expenses in Q3 2016.
- Earnings per share increased by $0.11 (34%) to $0.43 in Q3 2016 from $0.32 in Q3 2015.
- Increase of 2.72% in return on average shareholders' equity to 14.08% in Q3 2016 from 11.36% in Q3 2015.
- Continued strong equity income from our investment in MCAP of $3.3 million in Q3 2016, an increase of 64% from $2.0 million in Q3 2015.
- Increase of 28% in securitization income from our continued participation in the market mortgage-backed securities ("MBS") program and the Canada Mortgage Bonds ("CMB") program in 2016.

Year to Date 2016

- For the year to date in 2016, net income was $31.2 million, an increase of $7.8 million (33%) from $23.4 million in 2015 due to the Q3 items noted above and higher securitization income for the year to date.
- Earnings per share increased by $0.27 (25%) to $1.36 for the year to date in 2016 from $1.09 in 2015.
- Increase of 2.34% in return on average shareholders' equity to 15.36% for the year to date in 2016 from 13.02% in 2015.

Dividend

- The Board of Directors declared an increase to the quarterly dividend from $0.29 per share to $0.30 per share effective with the 2016 fourth quarter regular dividend to be paid January 3, 2017 to shareholders of record as of December 15, 2016.

Corporate Activity

Q3 2016

- Corporate assets totalled $1.21 billion at September 30, 2016, a decrease of $48 million from June 30, 2016, which included a decrease of $55 million in mortgages and an increase of $6 million in cash and cash equivalents.
- The corporate mortgage portfolio decreased during Q3 2016 to $965 million from $1.02 billion, which included decreases of $39 million in uninsured single family and $32 million in construction, offset by increases of $9 million in commercial and $6 million in insured single family.

Year to Date 2016

- Corporate assets have increased by $55 million (5%) for the year to date in 2016, including increases of $21 million in corporate mortgages, $12 million in marketable securities, $8 million in financial investments and $5 million in our equity investment in MCAP.
- For the year to date in 2016, we have originated $117 million of single family mortgages through our Xceed origination platform, consisting of $100 million of insured single family and $17 million of uninsured single family.

Securitization Activity

- We continued our participation in the CMB program in Q3 2016 by securitizing $22 million of insured single family mortgages and $33 million of multi family loans.
- We issued and sold $17 million of new MBS to third parties through the market MBS program.
- For the year to date, we have securitized $154 million of mortgages through both programs.

Credit Quality

- Impaired mortgages increased to $5.0 million from $3.9 million during Q3 2016. The majority of the increase related to insured single family mortgages.
- The impaired total mortgage ratio increased to 0.15% from 0.14% during Q3 2016.
- The impaired corporate mortgage ratio increased to 0.32% from 0.29% during Q3 2016.
- Total mortgage arrears increased to $40 million from $39 million during Q3 2016.

Capital

- Our Common Equity Tier 1, Tier 1 and Total Capital to risk-weighted assets ratios were 22.22% at September 30, 2016 on the transitional basis and 21.81% on the "all-in" basis compared to 21.65% and 21.27%, respectively, at June 30, 2016.
- Our leverage ratio was 10.24% at September 30, 2016 compared to 10.01% at June 30, 2016.
- Income tax asset capacity was $175 million at September 30, 2016 compared to $90 million at June 30, 2016.

Outlook

The Bank of Canada's forecasted 2016 GDP growth rate for Canada has been reduced to 1.7%, with expected moderation in the last quarter of the year. With relatively low levels of economic growth, the probability of increased interest rates is low. We expect housing markets to continue to benefit from historically low interest rates, but we also expect a slowdown as a result of the impact of regulatory changes to mortgage insurance.

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. The Canadian dollar has continued to weaken because of a stronger U.S. economy and the potential for interest rate increases in the U.S.

We expect financial markets to remain volatile through the end 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 affect 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.

Ontario and British Columbia have continued to exhibit strong fundamentals and growth, with GDP growth driven by exports and immigration. In Alberta, housing markets continued to slow as a result of impacts of the weakness in oil prices and weakening employment. We continue to focus our origination in Ontario and British Columbia and moderate our exposure to Alberta. We are closely monitoring the performance of the residential construction projects with particular vigilance in Alberta.

The Toronto and Vancouver housing markets have experienced significant price inflation for the year to date, well in excess of supporting employment and income growth. While some of the price inflation is driven by low mortgage rates and lot supply shortages, we believe that price inflation at the current high levels increases the risk of a price correction. We are operating with tightened underwriting policies for uninsured mortgages, specifically for self-employed applicants.

We have seen slower sales in Vancouver caused by the newly legislated 15% tax on non-resident real estate purchases, which was intended to help restore housing affordability for residents in the Metro Vancouver Area by raising non-residents' cost of purchasing and, on the margin, discouraging foreign speculation. The government intends to use some of these new tax revenues to help boost housing supply. The change in the use of the principal residence exemption for taxable gains on home sales is expected to impact demand.

Subsequent to quarter end, the Department of Finance announced new mortgage regulations. The most significant regulations to MCAN are as follows:

- Expanding the stress tests to all insured mortgages, to be qualified using the Bank of Canada's posted rate (currently at 4.64%).
- All portfolio-insured mortgages will be required to conform to the same lending guidelines as insured mortgages.
- Principal residence capital gains will be limited to Canadian residents.

We expect the impact of these new regulations to be as follows:

- No change to overall CMB issuance levels.
- Expected decrease to MBS issuance levels and tighter MBS spreads as less mortgages are eligible for portfolio insurance.
- Redirection of uninsurable mortgages to balance sheet investors such as MCAN, chartered bank covered bonds, asset-backed commercial paper and potentially the private residential mortgage-backed securities ("RMBS") market.
- Higher uninsured mortgage rates as lenders price in higher capital requirements and increased funding costs.
- Stable short-term insured mortgage rates due to increased competition amongst lenders.

The Department of Finance also launched a consultation subsequent to quarter end on lender risk sharing for government backed insured mortgages. We expect the impact of potential risk sharing to be as follows:

- Increased lender costs; the Department of Finance expects an increase of 20-30 basis points in lender costs over a five-year period.
- Increase risk-weighting and capital requirements for these assets due to higher risk of loss, which may require increased collective and individual mortgage allowances.

We are continuing to evaluate the impact of these regulatory changes to the market and MCAN. We believe that the effect of these changes will likely require a minimum of 6-12 months to begin providing clarity on the direction of the mortgage market in Canada.

We will continue to monitor housing market developments as they evolve and will continue to ensure our mortgage lending book remains well positioned. MCAN has a stated annual growth target of 10% growth of corporate assets per annum. With the declining single family uninsured balance, and other changes on our balance sheet, growth in the corporate assets was 5% year to date for 2016.

We believe that MCAN is well positioned to adapt to changes in mortgage and housing markets given that we, as a regulated financial institution, have access to both the insured securitization market as well as the term deposit funding market.

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/investor-relations/investor-materials.

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 Third 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, is an originator 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 is also an NHA MBS issuer.

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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 CMB and MBS spreads and swap rates;
- MBS and mortgage prepayment rates;
- mortgage rate and availability changes;
- adverse legislation or regulation;

- availability of CMB and 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.