CONSOLIDATED FINANCIAL STATEMENTS 2015
MCAN MORTGAGE CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying consolidated financial statements of MCAN Mortgage Corporation ("MCAN" or the "Company") are the responsibility of management and have been approved by the Board of Directors. Management is responsible for the information and representations contained in these consolidated financial statements, the Management's Discussion and Analysis of Operations and all other sections of the annual report. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), including the accounting requirements of our regulator, the Office of the Superintendent of Financial Institutions Canada.

The Company's accounting system and related internal controls are designed, and supporting procedures maintained to provide reasonable assurance that the Company's financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition.

The Office of the Superintendent of Financial Institutions Canada makes such examination and enquiry into the affairs of MCAN as deemed necessary to be satisfied that the provisions of the Trust and Loan Companies Act are being duly observed for the benefit of depositors and that the Company is in sound financial condition.

The Board of Directors is responsible for ensuring that management fulfils its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. These responsibilities are carried out primarily through an Audit Committee of unrelated directors appointed by the Board of Directors. The Chief Financial Officer reviews internal controls, control systems and compliance matters and reports thereon to the Audit Committee.

The Audit Committee meets periodically with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee reviews the consolidated financial statements and recommends them to the Board of Directors for approval. The Audit Committee also recommends to the Board of Directors and Shareholders the appointment of external auditors and approval of their fees.

The consolidated financial statements have been audited by the Company's external auditors, Ernst & Young LLP, in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has full and free access to the Audit Committee.

William Jandrisits
President and Chief Executive Officer

Jeff Bouganim
Vice President and Chief Financial Officer

Toronto, Canada,
February 26, 2016

Independent auditors' report

To the Shareholders of MCAN Mortgage Corporation

We have audited the accompanying consolidated financial statements of MCAN Mortgage Corporation, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

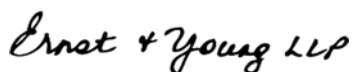
Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MCAN Mortgage Corporation as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and 2014 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 26, 2016

CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)

As at December 31	Note	2015	2014
Assets			
Corporate Assets			
Cash and cash equivalents	7	$ 75,762	$ 51,090
Marketable securities	8	40,735	24,900
Mortgages	9	944,109	895,467
Financial investments	10	41,793	28,469
Other loans	11	4,176	2,108
Equity investment in MCAP Commercial LP	12	44,191	38,792
Foreclosed real estate	13	529	686
Deferred tax asset	19	1,125	773
Other assets	14	2,626	3,067
		1,155,046	**1,045,352**
Securitization Assets			
Short-term investments	15	13,112	16,763
Mortgages	16	1,075,947	741,184
Financial investments	10	-	907
Derivative financial instruments	17	-	71
Other assets	14	2,853	1,441
		1,091,912	**760,366**
		$ 2,246,958	**$ 1,805,718**
Liabilities and Shareholders' Equity			
Liabilities			
Corporate Liabilities			
Term deposits	18	$ 903,041	$ 821,742
Current taxes payable	19	100	120
Deferred tax liabilities	19	2,299	1,246
Other liabilities	20	12,412	11,202
		917,852	**834,310**
Securitization Liabilities			
Financial liabilities from securitization	21	1,070,304	746,063
Other liabilities	20	-	42
		1,070,304	**746,105**
		1,988,156	**1,580,415**
Shareholders' Equity			
Share capital	22	206,382	183,939
Contributed surplus	22	510	510
Retained earnings		42,617	34,481
Accumulated other comprehensive income	24	9,293	6,373
		258,802	**225,303**
		$ 2,246,958	**$ 1,805,718**

The accompanying notes and shaded areas of the "Risk Governance and Management" section of Management's Discussion and Analysis of Operations are an integral part of these consolidated financial statements.

On behalf of the Board:

William Jandrisits
President and Chief Executive Officer

Karen Weaver
Director, Chair of the Audit Committee

CONSOLIDATED STATEMENTS OF INCOME
(in thousands of Canadian dollars except for per share amounts)

Years Ended December 31	**Note**	**2015**	**2014**
Net Investment Income - Corporate Assets			
Mortgage interest		$ 50,997	$ 50,426
Equity income from MCAP Commercial LP	12	10,096	6,182
Fees	25	3,231	2,733
Marketable securities		2,076	1,925
Whole loan gain on sale income	29	626	1,296
Realized and unrealized loss on financial instruments	17	(2,914)	(1,729)
Interest on financial investments and other loans		3,506	822
Interest on cash and cash equivalents		730	848
Gain on sale of foreclosed real estate	13	-	1,115
		68,348	**63,618**
Term deposit interest and expenses		20,671	20,709
Mortgage expenses	26	3,823	3,820
Interest on loans payable		838	921
Provision for (recovery of) credit losses	27	275	(983)
		25,607	**24,467**
		42,741	**39,151**
Other Income - Corporate Assets			
Gain on sale of investment in MCAP Commercial LP	12	-	711
Gain on dilution of investment in MCAP Commercial LP	12	68	71
		68	**782**
Net Investment Income - Securitization Assets			
Mortgage interest		25,564	12,383
Interest on financial investments		1	428
Interest on short-term investments		76	835
Other securitization income	28	121	1,343
		25,762	14,989
Interest on financial liabilities from securitization		19,763	13,087
Mortgage expenses	26	1,461	620
		21,224	13,707
Net investment income before fair value adjustment		4,538	1,282
Fair value adjustment - derivative financial instruments	17	(71)	(1,376)
		4,467	**(94)**
Operating Expenses			
Salaries and benefits		8,515	7,154
General and administrative		5,993	6,229
		14,508	**13,383**
Net Income Before Income Taxes		**32,768**	**26,456**
Provision for (recovery of) income taxes			
Current	19	-	102
Deferred	19	(89)	908
		(89)	1,010
Net Income		**$ 32,857**	**$ 25,446**
Basic and diluted earnings per share		$ 1.51	$ 1.23
Dividends per share		$ 1.13	$ 1.12
Weighted average number of basic and diluted shares (000's)		21,830	20,639

The accompanying notes and shaded areas of the "Risk Governance and Management" section of Management's Discussion and Analysis of Operations are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of Canadian dollars)

Years Ended December 31	2015	2014
Net income	$ 32,857	$ 25,446
Other comprehensive income		
Change in unrealized gain (loss) on available for sale marketable securities	(2,132)	(193)
Transfer of losses (gains) on sale of marketable securities to net income	(114)	(280)
Change in unrealized gain on available for sale financial investments	5,957	4,399
Less: deferred taxes	(791)	(583)
	2,920	3,343
Comprehensive income	**$ 35,777**	**$ 28,789**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of Canadian dollars)

Years Ended December 31	Note	2015	2014
Share capital			
Balance, beginning of period		$ 183,939	$ 179,215
Common shares issued	22	22,443	4,724
Balance, end of period		**206,382**	**183,939**
Contributed surplus			
Balance, beginning of period		510	510
Changes to contributed surplus		-	-
Balance, end of period		**510**	**510**
Retained earnings			
Balance, beginning of period		34,481	32,145
Net income		32,857	25,446
Dividends declared		(24,721)	(23,110)
Balance, end of period		**42,617**	**34,481**
Accumulated other comprehensive income			
Balance, beginning of period		6,373	3,030
Other comprehensive income		2,920	3,343
Balance, end of period		**9,293**	**6,373**
Total shareholders' equity		**$ 258,802**	**$ 225,303**

The accompanying notes and shaded areas of the "Risk Governance and Management" section of Management's Discussion and Analysis of Operations are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

Years Ended December 31	**2015**	**2014**
Cash provided by (used for):		
Operating Activities		
Net income	$ 32,857	$ 25,446
Adjustments to determine cash flows relating to operating activities:		
Current taxes	-	102
Deferred taxes	(89)	908
Equity income from MCAP Commercial LP	(10,096)	(6,182)
Gain on dilution of MCAP Commercial LP	(68)	(71)
Gain on sale of investment in MCAP Commercial LP	-	(711)
Provision for (recovery of) credit losses	275	(983)
Fair value adjustment - derivative financial instruments	71	1,376
Amortization of securitized mortgage and liability transaction costs	3,539	2,027
Amortization of other assets	349	617
Amortization of mortgage discounts	(2,126)	(1,169)
Amortization of premium on marketable securities	45	48
Changes in operating assets and liabilities:		
Mortgages	(531,690)	(183,011)
Term deposits	81,299	31,520
Financial liabilities from securitization	470,608	(308,717)
Marketable securities	(18,126)	(3,735)
Short-term investments	3,651	353,637
Financial investments	(6,461)	103,197
Other loans	(2,068)	4,981
Other assets	(274)	(528)
Other liabilities	286	(3,836)
Cash flows from operating activities	**21,982**	**14,916**
Investing Activities		
Distributions from MCAP Commercial LP	4,765	2,930
Decrease in foreclosed real estate	157	422
Proceeds on sale of investment in MCAP Commercial LP	-	4,488
Acquisition of capital and intangible assets	(735)	(327)
Cash flows from investing activities	**4,187**	**7,513**
Financing Activities		
Issue of common shares	22,443	4,724
Increase in loans payable	-	(17,991)
Dividends paid	(23,940)	(23,017)
Cash flows for financing activities	**(1,497)**	**(36,284)**
Increase in cash and cash equivalents	24,672	(13,855)
Cash and cash equivalents, beginning of period	51,090	64,945
Cash and cash equivalents, end of period	**$ 75,762**	**$ 51,090**

Supplementary Information

	2015	**2014**
Interest received	$ 80,720	$ 61,557
Interest paid	36,397	30,795
Distributions received from investments	5,627	1,952

The accompanying notes and shaded areas of the "Risk Governance and Management" section of Management's Discussion and Analysis of Operations are an integral part of these consolidated financial statements.

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1. Corporate Information

MCAN Mortgage Corporation (the "Company" or "MCAN") is a Loan Company under the *Trust and Loan Companies Act* (*Canada*) (the "Trust Act") and a Mortgage Investment Corporation ("MIC") under the *Income Tax Act* (*Canada*) (the "Tax Act").

As a Loan Company under the Trust Act, the Company is subject to the guidelines and regulations set by the Office of the Superintendent of Financial Institutions Canada ("OSFI").

MCAN'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 income tax basis in the MIC entity) as limited by the provisions of the Tax Act applicable to a MIC. 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 50% of capital gains dividends and 100% of other dividends paid. Such dividends are received by shareholders as capital gains dividends and interest income, respectively.

MCAN's primary wholly owned subsidiary, Xceed Mortgage Corporation ("Xceed"), focuses on the origination and sale to MCAN and 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. Xceed is incorporated in the province of Ontario.

MCAN also participates in the National Housing Act ("NHA") mortgage-backed securities ("MBS") program. For further details, refer to Note 6.

MCAN is incorporated in Canada. MCAN and Xceed's head office is located at 200 King Street West, Suite 600, Toronto, Ontario, Canada. MCAN is listed on the Toronto Stock Exchange under the symbol MKP.

The consolidated financial statements were approved in accordance with a resolution of the Board of Directors on February 26, 2016.

2. Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective for the Company as at December 31, 2015, as issued by the International Accounting Standards Board ("IASB"), including the accounting guidance of OSFI.

The consolidated financial statements have been prepared on a historical cost basis, except for cash and cash equivalents, marketable securities, foreclosed real estate, certain financial investments designated as available for sale and derivative financial instruments, which have been measured at fair value. The consolidated financial statements are presented in Canadian dollars.

The Company separates its assets into its corporate and securitization portfolios for reporting purposes. Corporate assets represent the Company's core strategic investments, and are funded by term deposits and share capital. Securitization assets consist primarily of mortgages that have been securitized through the market MBS program and the CMB program and subsequently sold to third parties, in addition to reinvestment assets such as short-term investments purchased with CMB program mortgage principal repayments. These assets are funded by the cash received from the sale of the associated securities to third party investors. The obligations to repay funds are classified as financial liabilities from securitization.

3. Basis of Consolidation

The consolidated financial statements include the balances of MCAN and its subsidiaries as at December 31, 2015.

3. Basis of Consolidation (continued)

Subsidiaries are fully consolidated from the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Per IFRS 10, *Consolidated Financial Statements*, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All intercompany balances due to/from subsidiaries, income and expenses and unrealized gains and losses resulting from intercompany transactions and dividends are eliminated in full.

4. Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Company in the preparation of its consolidated financial statements. Certain policies adopted in or relevant to fiscal 2015 and 2014 are also discussed below.

(1) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

(ii) Measurement of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial instruments not subsequently recorded at fair value through the consolidated statements of income, directly attributable transaction costs. Subsequent measurement and accounting treatment depends principally on the classification of financial instruments at initial recognition. The classification of an instrument in the measurement categories specified in IFRS depends on a number of factors, including the purpose and management’s intention for which the financial instruments were acquired and their contractual characteristics. The Company classifies its financial instruments in the measurement categories noted below:

a. Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading are recorded at fair value. Changes in fair value are recognized in the consolidated statements of income. Interest income or expense is recorded in the consolidated statements of income on the accrual basis.

A financial asset or financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing in the near term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the consolidated statements of income.

The Company uses derivative financial instruments such as interest rate swaps to economically hedge interest rate risk.

No derivative financial instruments have been designated for hedge accounting.

4. Summary of Significant Accounting Policies (continued)

b. Available for sale financial investments

Available for sale investments include marketable securities, an equity investment in commercial real estate and an equity investment in a mortgage fund. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through the consolidated statements of income.

Certain marketable securities are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or in response to changes in the market conditions.

c. Loans and receivables

The loans and receivables category includes mortgages, other loans, non-derivative financial assets and certain financial investments with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company intends to sell immediately or in the near term and those that the Company upon initial recognition designates at fair value;
- Those that the Company, upon initial recognition, designates as available for sale; or
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest rate method ("EIM"), less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIM. The amortization is included in mortgage interest income or interest on financial investments and other loans in the consolidated statements of income. The losses arising from impairment are recognized in the consolidated statements of income.

d. Financial liabilities

After initial recognition, interest bearing financial liabilities are subsequently measured at amortized cost using the EIM.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs using the EIM. The amortization is included in the related line in the consolidated statements of income. Unamortized premiums and discounts are recognized in the consolidated statements of income upon extinguishment of the liability.

(iii) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs are capitalized and amortized over the expected life of the instrument using the EIM, except for transaction costs which are related to financial assets or financial liabilities classified as held for trading or designated at fair value, which are expensed.

(2) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a qualifying "pass-through" arrangement; and either:
  - the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or

4. Summary of Significant Accounting Policies (continued)

- the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the financial asset.

When substantially all the risks and rewards of ownership of the financial asset have been transferred, the Company will derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer. When substantially all the risks and rewards of ownership of the financial asset have been retained, the Company continues to recognize the financial asset and also recognizes a financial liability for the consideration received. Certain transaction costs incurred are also capitalized and amortized using the EIM. When the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. In that case, the Company also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

(3) Determination of fair value

Per IFRS 13, *Fair Value Measurement*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices may exist and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Where available, their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimate of the most appropriate model assumptions. The fair value of certain real estate assets is determined using independent appraisals. Models and valuations are adjusted to reflect counterparty credit and liquidity spread and limitations in the models.

(4) Foreclosed assets held for sale

Foreclosed assets are repossessed non-financial assets where the Company gains title, ownership or possession of individual properties, such as real estate properties, which are managed for sale in an orderly manner with the proceeds, used to reduce or repay any outstanding debt. The Company holds foreclosed properties for sale rather than for its business use.

Held-for-sale foreclosed assets are initially carried at fair value less costs to sell. In subsequent measurements, the asset is carried at the lower of its carrying amount and fair value less the estimated cost to sell at the date of foreclosure. Any difference between the carrying value of the asset before foreclosure and the initially estimated realizable amount of the asset is recorded in the provision for credit losses line of the consolidated statements of income. The Company predominantly relies on third-party appraisals to determine the carrying value of foreclosed assets.

(5) Impairment of financial assets

The Company assesses at each consolidated financial statement date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

4. Summary of Significant Accounting Policies (continued)

Impaired mortgages include uninsured mortgages that are more than 90 days in arrears or are less than 90 days in arrears but for which management does not have reasonable assurance that the full amount of principal and interest will be collected in a timely manner. An insured mortgage is considered to be impaired when the mortgage is 365 days past due, whether or not collection is in doubt.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of income. Interest income continues to be accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of the related interest income component. Mortgages, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the provision for credit losses.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate ("EIR"). If a mortgage has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of estimated future cash flows reflects the projected cash flows less costs to sell.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, risk rating, past-due status and other relevant factors. Risk ratings are mapped to rating agency assessments of corporate bonds. Corporate bond historical default rates are used for an actual historical period similar to the environment at the time of measurement, using factors such as housing starts, unemployment rate, and GDP growth.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available for sale financial investments

For available for sale financial investments, the Company assesses at the consolidated financial statement date whether there is objective evidence that an investment or a group of investments is impaired.

4. Summary of Significant Accounting Policies (continued)

In the case of equity investments classified as available for sale, one of the indications of impairment would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of income - is removed from other comprehensive income and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded to the related interest income component. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

(6) Offsetting financial instruments

Financial assets and financial liabilities where the Company is considered the principal to the underlying transactions are offset and the net amount reported in the consolidated financial statements if, and only if, the Company currently has an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

As at December 31, 2015, the Company did not have any outstanding transactions that are subject to netting contracts with third parties.

(7) Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the consolidated financial statement date.

As a MIC under the Tax Act, the Company is able to deduct from income for tax purposes dividends paid within 90 days of year-end. The Company intends to maintain its status as a MIC and intends to pay sufficient dividends in current and future years to ensure that it is not subject to income taxes in the MIC entity on a non-consolidated basis. Accordingly, the Company does not record a provision for current taxes within the MIC entity, however provisions are recorded as applicable in all subsidiaries of MCAN.

Current tax relating to items recognized directly to shareholders' equity is recognized in equity and not in the consolidated statements of income. Management periodically evaluates positions taken in the Company's tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the consolidated financial statement date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- In respect of taxable temporary differences associated with investments in subsidiaries or associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4. Summary of Significant Accounting Policies (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be used, except in the following instances:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and

- In respect of deductible temporary differences associated with investments in subsidiaries or associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated financial statement date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated financial statement date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated financial statement date.

Deferred tax relating to items recognized directly in shareholders' equity is recognized in shareholders' equity and not in the consolidated statements of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

As a MIC under the Tax Act, the Company is able to deduct from income for tax purposes dividends paid within 90 days of year-end. The Company intends to maintain its status as a MIC and intends to pay sufficient dividends in current and future years to ensure that it is not subject to income taxes in the MIC entity on a non-consolidated basis. Accordingly, the Company does not record a provision for deferred taxes within the MIC entity, however provisions are recorded as applicable in all subsidiaries of MCAN.

(8) Dividends on common shares

Dividends on common shares are deducted from shareholders' equity in the quarter that they are approved. Dividends that are approved after the consolidated financial statement date are not recognized as a liability in the consolidated financial statements but are disclosed as an event after the consolidated financial statement date.

(9) Investment in associate

The Company's investment in its associate, MCAP Commercial LP ("MCAP"), is accounted for using the equity method. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in the associate is carried on the consolidated balance sheets at cost plus post acquisition changes in the Company's share of net assets of the associate.

The consolidated statements of income reflect the Company's proportionate share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this change, when applicable, in the consolidated statements of changes in shareholders' equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The most recent available financial statements of the associate are used by the investor in applying the equity method. When the financial statements of an associate used in applying the equity method are prepared as of a different date from that of the investor, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

Where necessary, adjustments are made to harmonize the accounting policies of the associate with those of the Company.

4. Summary of Significant Accounting Policies (continued)

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associate. The Company determines at each consolidated financial statement date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company then calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statements of income, thus reducing the carrying value by the amount of impairment.

(10) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Interest income or expense

For all financial investments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the EIM, which reflects the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account the contractual interest rate, along with any fees or incremental costs that are directly attributable to the instrument and all other premiums or discounts. Interest income or expense is included in the appropriate component of the consolidated statements of income.

(11) Cash and short-term investments

Cash and short-term investments on the consolidated balance sheets comprise cash held at banks and short-term deposits with original maturity dates of less than 90 days.

(12) Share-based payment transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date, further details of which are discussed in Note 30. The obligations are adjusted for fluctuations in the market price of the Company's common shares. Changes in the obligations are recorded as salaries and benefits in the consolidated statements of income with a corresponding change to other liabilities. The liability is re-measured at fair value at each consolidated financial statement date up to and including the settlement date.

(13) Capital assets and intangible assets

Capital assets and intangible assets are recorded at cost less accumulated amortization. Amortization is recorded at the following rates:

Capital assets

Furniture and fixtures	Five years straight line
Computer hardware	Three to five years straight line
Leasehold improvements	Lease term and one renewal straight line

Intangible assets

Computer software	One year to five years straight line

The amortization expense is included in the general and administrative operating expense category in the consolidated statement of income.

The amortization period and the amortization method for capital assets and intangible assets are reviewed at least at the end of each reporting period.

4. Summary of Significant Accounting Policies (continued)

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

(14) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Where the company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the company's equity holders until the share are either cancelled or re-issued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transactions costs, is included in equity.

(15) Contingent liabilities

Provisions for legal claims are recognised when the group (a) has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is included in interest expense.

(16) Standards issued but not effective

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final revised IFRS 9 standard. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also includes an expected credit loss model to replace the current incurred loss model. Additionally, IFRS 9 has new hedge accounting principles that are aimed to align hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 provides a single principle-based framework that applies to contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

IAS 1, *Presentation of Financial Statements*

The Company will be required to adopt amendments to IAS 1, *Presentation of Financial Statements*, which includes amendments to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements, for annual periods beginning on or after January 1, 2016. Management has concluded that the amendments to IAS 1 will have no impact on the Company's consolidated financial statements.

4. Summary of Significant Accounting Policies (continued)

IFRS 7, *Financial Instruments: Disclosures*

The Company will be required to adopt amendments to IFRS 7, *Financial Instruments: Disclosures*, requiring increased disclosure regarding derecognition of financial assets and continuing involvement accounting, for annual periods beginning on or after January 1, 2016. Management has concluded that the amendments to IFRS 7 will have no impact on the Company's consolidated financial statements.

IFRS 16, *Leases*

IFRS 16, *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from January 1, 2019. All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. The Company has not yet determined the impact of IFRS 16 on its consolidated financial statements.

5. Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Significant Accounting Judgments

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Significant influence

In determining whether it has significant influence over an entity, the Company makes certain judgments based on the applicable accounting standards. These judgments form the basis for the Company's policies in accounting for its equity investments.

Taxes

As a MIC under the Tax Act, the Company is able to deduct from income for tax purposes dividends paid within 90 days of year-end. The Company intends to maintain its status as a MIC and intends to pay sufficient dividends in current and future years to ensure that it is not subject to income taxes in the MIC entity on a non-consolidated basis. Accordingly, the Company does not record a provision for current and deferred taxes within the MIC entity, however provisions are recorded as applicable in all subsidiaries of MCAN.

(b) Significant Accounting Estimates

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated financial statements cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, estimates are required to establish fair values. These estimates include considerations of liquidity and model inputs such as discount rates, prepayment rates and default rate assumptions for certain investments.

5. Significant Accounting Judgments and Estimates (continued)

Impairment losses on mortgages

The Company reviews its individually significant mortgage balances at each consolidated financial statement date to assess whether an impairment loss should be recorded. In particular, estimates by management are required in the calculation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes assumptions about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors, and actual results may differ, resulting in future changes to the allowance.

Mortgages that have been assessed individually and found not to be impaired and all individually insignificant mortgages are then assessed collectively, in groups of mortgages with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the mortgage portfolio (such as credit quality, levels of arrears, credit utilization, loan to value ratios, etc.), concentrations of risks and economic data (including levels of unemployment, real estate price indices and the performance of different individual groups).

Mortgage prepayment rates

In calculating the rate at which borrowers prepay their mortgages, the Company makes estimates based on its historical experience. These assumptions impact the timing of revenue recognition and the amortization of mortgage premiums using the EIM.

Taxes

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be used in the subsidiaries of the Company. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized in the subsidiaries of the Company, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Further details on taxes are disclosed in Note 19.

Impairment of financial assets

As applicable, the Company reviews financial assets at each consolidated financial statement date to assess whether an impairment loss should be recorded. In particular, estimates by management are required in the calculation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the fair value of the asset.

6. Securitization Activities

The Company is an NHA MBS issuer, which involves the securitization of insured mortgages to create MBS. The Company issues MBS through the market MBS program, which is an internal program where it originates or purchases insured single family mortgages for securitization. The Company issued MBS through the CMB program; however its participation ceased during 2015 with the maturity of the last CMB bond issuance.

Pursuant to the NHA MBS program, investors of MBS receive monthly cash flows consisting of interest and scheduled and unscheduled principal payments. Canada Mortgage and Housing Corporation ("CMHC") makes principal and interest payments in the event of any MBS default by the issuer, thus fulfilling the timely payment obligation to investors. To date, the Company has sold MBS as part of the market MBS program and the CMB program, which are discussed below.

Market MBS Program

As part of the market MBS program, the Company may sell MBS to third parties and may also sell the net economics and cash flows from the underlying mortgages ("interest-only strips") to third parties. The MBS portion of the mortgage represents the core securitized mortgage principal and the right to receive coupon interest at a specified rate. The interest-only strips represent the right to receive excess cash flows after satisfying the MBS coupon interest payment and any other expenses such as mortgage servicing. As part of this program, MCAN originates and purchases insured single family mortgages to sell as MBS.

6. Securitization Activities (continued)

The primary risks associated with the market MBS program are prepayment, liquidity and funding risk, including the obligation to fund 100% of any cash shortfall related to the Timely Payment (discussed below) as part of the market MBS program.

Any mortgages securitized through the market MBS program for which derecognition is not achieved remain on MCAN's consolidated balance sheet as securitized assets and are also included in total exposures in the calculation of the leverage ratio (Note 34). For income tax purposes, mortgage securitizations by MCAN through the NHA MBS program are considered to be true mortgage sales and therefore are not included in income tax assets (Note 34).

MCAN has capitalized certain mortgage acquisition costs. These costs are amortized using the EIM, which incorporates mortgage prepayment assumptions.

During 2015, MCAN created $589,148 of new MBS which was sold to third parties (2014 - $561,203). The securitized mortgages remain on MCAN's consolidated balance sheet while a corresponding financial liability from securitization is incurred (Notes 16 and 21) at the time that the MBS is sold to third parties, due to the fact that MCAN retains significant continuing involvement with the assets.

During 2015, MCAN sold the interest-only strips associated with $147,219 of mortgages securitized through the market MBS program to third parties (2014 - $nil). Subsequent to sale, MCAN derecognized the securitized mortgages and associated financial liabilities from securitization from its consolidated balance sheet as a result of the transfer of substantially all risks and rewards of ownership to the purchaser of the interest-only strip. As part of the transaction, MCAN recognized a loan receivable from the third party purchaser (Note 11) and recognized a gain on sale net of unamortized transaction costs.

In the case of mortgage defaults, MCAN is required to make scheduled principal and interest payments to investors as part of the Timely Payment Guarantee (discussed below) and then place the mortgage/property through the insurance claims process to recover any losses. These defaults may result in cash flow timing mismatches that may marginally increase funding and liquidity risks.

CMB Program

MCAN previously participated in the CMB program, which involves the sale of MBS to the Canada Housing Trust ("CHT"). MCAN's participation in the CMB program ceased during 2015 with the maturity of the last remaining CMB bond issuance.

On the sale of MBS to CHT, MCAN received proceeds for the sale and incurred a corresponding liability, which did not amortize over the term of the issuance and was payable in full at maturity. As the securitized mortgages repaid, MCAN reinvested the collected principal in certain permitted investments. The securitized mortgages and reinvestment assets were held as collateral against the CMB liabilities.

Since MCAN retained substantially all risks and rewards of ownership on the sale of the securitized mortgages to CHT, MCAN retained the mortgages (Note 16), reinvestment assets (Notes 10 and 15) and financial liabilities from securitization (Note 21) on the consolidated balance sheets until the maturity of the CMB issuance.

MCAN entered into "pay floating, receive fixed" interest rate swaps as part of the CMB program (Note 17). The purpose of the interest rate swaps was to hedge interest rate risk on both securitized mortgages and principal reinvestment assets that had a floating interest rate, as substantially all interest payments on the securitization liabilities were fixed rate.

Timely Payment

Consistent with all issuers of MBS, the Company is required to remit scheduled mortgage principal and interest payments to CMHC, even if these mortgage payments have not been collected from mortgagors. Similarly, at the maturity of the MBS pools that have been issued by MCAN, any outstanding principal must be paid to CMHC. If the Company fails to make a scheduled principal and interest payment to CMHC, CMHC may enforce the assignment of the mortgages included in all MBS pools in addition to other assets backing the MBS issued.

As part of the market MBS program, the Company is required to fund 100% of any cash shortfall unless it has sold the interest-only strip, in which case the purchaser of the interest-only strip is obligated to fund 100% of any cash shortfall.

6. Securitization Activities (Continued)

Transferred financial assets that are not derecognized in their entirety

Market MBS Program

Since MCAN neither transferred nor retained risks and rewards of ownership on sale and retained significant continuing involvement through the provision of the timely payment guarantee, the majority of the market MBS program sale transactions resulted in MCAN continuing to recognize the securitized mortgages and financial liabilities from securitization on its consolidated balance sheet. The securitized mortgage balance as at December 31, 2015 was $1,075,947 (December 31, 2014 - $716,112) (Note 16). The financial liabilities from securitization balance as at December 31, 2015 was $1,070,304 (December 31, 2014 - $708,122) (Note 21).

CMB Program

Since MCAN retained substantially all risks and rewards of ownership on sale, the previous CMB mortgage sale transactions resulted in MCAN recognizing the securitized mortgages, reinvestment assets and financial liabilities from securitization on its consolidated balance sheet. The remaining securitized mortgage balance as at December 31, 2014 was $25,072 (Note 16). The reinvestment asset balance as at December 31, 2014 was $12,395 (Notes 10 and 15). The financial liabilities from securitization balance as at December 31, 2014 was $37,941 (Note 21). These items were all removed from the consolidated balance sheet during 2015 upon the maturity of the CMB bond liability at which point the Company ceased its involvement in the CMB program.

Transferred financial assets that are derecognized in their entirety but where the Company has a continuing involvement

Market MBS Program

MCAN sells MBS and the associated interest only strips to third parties and derecognizes the assets from its consolidated balance sheet as a result of the transfer of substantially all risks and rewards on sale. The Company's continuing involvement is the ongoing obligation in its role as MBS issuer to service the mortgages and MBS until maturity.

The total outstanding derecognized MBS balance related to the market MBS program as at December 31, 2015 was $334,232 (December 31, 2014 - $230,578), which was not reflected as an asset or liability on MCAN's consolidated balance sheets at either date. The MBS mature as follows: 2016 - $29,272, 2017 - $157,741, 2020 - $147,219.

7. Cash and Cash Equivalents

Cash and cash equivalents include balances with banks and certain short-term investments with original maturity dates of less than 90 days.

Refer to Note 32 for an analysis of the Company's available credit facilities.

8. Marketable Securities

As at December 31		2015		2014
Real estate investment trusts	$	37,958	$	19,876
Corporate bonds		2,777		5,024
	$	**40,735**	**$**	**24,900**

Marketable securities are designated as available for sale. Corporate bonds mature between 2016 and 2022 while real estate investment trusts have no specific maturity date. Fair values are based on bid prices quoted in active markets (real estate investment trusts) and observable inputs other than quoted prices (corporate bonds), and changes in fair value are recognized in the consolidated statements of comprehensive income.

9. Mortgages - Corporate

(a) Summary

	Gross	Allowance			Net
As at December 31, 2015	**Principal**	**Collective**	**Individual**	**Total**	**Principal**
Corporate portfolio:					
Single family mortgages					
- Uninsured	$ 361,107	$ 1,523	$ 119	$ 1,642	$ 359,465
- Insured	83,619	-	-	-	83,619
- Uninsured - completed inventory	31,415	135	-	135	31,280
Construction loans					
- Residential	352,314	2,286	220	2,506	349,808
- Non-residential	5,632	37	-	37	5,595
Commercial loans					
- Uninsured	115,281	939	-	939	114,342
	$ 949,368	**$ 4,920**	**$ 339**	**$ 5,259**	**$ 944,109**

	Gross	Allowance			Net
As at December 31, 2014	**Principal**	**Collective**	**Individual**	**Total**	**Principal**
Corporate portfolio:					
Single family mortgages					
- Uninsured	$ 290,715	$ 1,220	$ 367	$ 1,587	$ 289,128
- Insured	132,290	-	-	-	132,290
- Uninsured - completed inventory	21,530	92	-	92	21,438
Construction loans					
- Residential	374,468	2,385	275	2,660	371,808
Commercial loans					
- Uninsured	81,438	635	-	635	80,803
	$ 900,441	**$ 4,332**	**$ 642**	**$ 4,974**	**$ 895,467**

Gross principal as presented in the tables above includes unamortized capitalized transaction costs and accrued interest.

9. Mortgages - Corporate (continued)

MCAN's corporate mortgage portfolio includes insured and uninsured single family mortgages. The Company does not invest in the United States mortgage market. Uninsured mortgages may not exceed 80% of the value of the real estate securing such loans at the time of funding. Residential mortgages insured by CMHC or Genworth Financial Mortgage Insurance Company Canada Inc. ("Genworth") may exceed this ratio.

Uninsured completed inventory loans are credit facilities extended to developers to provide interim mortgage financing on residential units (condominium or freehold), where all construction has been completed and therefore no further construction risk exists. Satisfactory confirmation that all units are substantially complete is required prior to funding all inventory loans. Final occupancy permits, condo corporation registration and/or written confirmation by the cost consultant as to the completion of the units are examples of verification measures.

Residential construction loans are made to homebuilders to finance residential construction projects. These loans generally have a floating interest rate and terms of one to two years.

Commercial loans include commercial term mortgages and high ratio mortgage loans.

The weighted average yield of the Company's corporate mortgage portfolio is as follows:

As at December 31	2015	2014
Single family - uninsured	4.42%	4.78%
Single family - uninsured completed inventory	5.10%	5.41%
Single family - insured	3.80%	4.11%
Construction	5.53%	5.67%
Commercial	7.22%	8.31%
Total	**5.15%**	**5.38%**

Outstanding commitments for future fundings of mortgages intended for the Company's corporate portfolio are as follows:

As at December 31	2015	2014
Single family - uninsured	$ 10,396	$ 25,435
Single family - uninsured completed inventory	789	404
Single family - insured	30,691	71,606
Construction - residential	259,684	238,102
Construction - non-residential	1,593	-
Commercial	5,089	1,609
Total	**$ 308,242**	**$ 337,156**

The fair value of the corporate mortgage portfolio as at December 31, 2015 was $958,772 (December 31, 2014 - $911,882). Fair values are calculated on a discounted cash flow basis using the prevailing market rates for similar mortgages. For information regarding the maturity dates of the Company's mortgages, refer to Note 33.

As at December 31, 2015, single family insured mortgages included $21,250 of mortgages that had been securitized through the market MBS program, however the underlying MBS security has been retained by the Company for liquidity purposes (December 31, 2014 - $25,638).

As at December 31, 2014, the Company had $11,304 of insured single family mortgages pledged as collateral as part of the CMB program.

9. Mortgages - Corporate (continued)

(b) Geographic Analysis

As at December 31, 2015	Single Family	Construction	Commercial	Total	
Ontario	$ 307,061	$ 154,006	$ 72,275	$ 533,342	56.5%
Alberta	74,301	76,743	17,991	169,035	17.9%
British Columbia	45,514	104,855	12,430	162,799	17.2%
Quebec	15,575	-	-	15,575	1.6%
Atlantic Provinces	20,151	-	11,500	31,651	3.4%
Other	11,762	19,799	146	31,707	3.4%
	$ 474,364	**$ 355,403**	**$ 114,342**	**$ 944,109**	**100.0%**

As at December 31, 2014	Single Family	Construction	Commercial	Total	
Ontario	$ 239,694	$ 128,110	$ 33,086	$ 400,890	44.8%
Alberta	77,730	101,607	31,716	211,053	23.6%
British Columbia	58,014	125,873	3,523	187,410	20.9%
Quebec	23,081	-	-	23,081	2.6%
Atlantic Provinces	31,927	-	12,246	44,173	4.9%
Other	12,410	16,218	232	28,860	3.2%
	$ 442,856	**$ 371,808**	**$ 80,803**	**$ 895,467**	**100.0%**

(c) Mortgage Allowances

Details of the collective and individual allowances for mortgage credit losses for the current and prior years are as follows:

	Collective	Individual	2015 Total	Collective	Individual	2014 Total
Balance, beginning of year	$ 4,332	$ 642	$ 4,974	$ 4,265	$ 1,087	$ 5,352
Provisions	647	721	1,368	180	686	866
Reversals of provisions	-	(698)	(698)	-	(880)	(880)
Write-offs, net	(59)	(326)	(385)	(113)	(251)	(364)
Balance, end of year	**$ 4,920**	**$ 339**	**$ 5,259**	**$ 4,332**	**$ 642**	**$ 4,974**

(d) Arrears and Impaired Mortgages

Mortgages past due but not impaired are as follows:

As at December 31, 2015	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Single family - uninsured	$ 8,132	$ 3,374	$ 1,124	$ -	$ 12,630
Single family - insured	2,269	273	-	1,990	4,532
	$ 10,401	**$ 3,647**	**$ 1,124**	**$ 1,990**	**$ 17,162**

9. Mortgages - Corporate (continued)

As at December 31, 2014	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Single family - uninsured	$ 7,877	$ 3,593	$ 2,600	$ -	$ 14,070
Single family - insured	1,997	1,969	899	2,540	7,405
	$ 9,874	**$ 5,562**	**$ 3,499**	**$ 2,540**	**$ 21,475**

Impaired mortgages (net of individual allowances) are as follows:

As at December 31, 2015	SF Insured	SF Uninsured	Residential Construction	Total
Ontario	$ 98	$ 873	$ -	$ 971
Alberta	-	322	-	322
Quebec	364	614	-	978
Atlantic Provinces	69	143	-	212
Other	-	244	-	244
	$ 531	**$ 2,196**	**$ -**	**$ 2,727**

As at December 31, 2014	SF Insured	SF Uninsured	Residential Construction	Total
Ontario	$ -	$ 388	$ 4,826	$ 5,214
Alberta	-	386	-	386
British Columbia	-	1,124	526	1,650
Quebec	250	694	-	944
Atlantic Provinces	-	190	-	190
	$ 250	**$ 2,782**	**$ 5,352**	**$ 8,384**

10. Financial Investments

As at December 31	2015	2014
Corporate assets:		
Investment - commercial real estate	$ 31,102	$ 23,512
Investment - KingSett High Yield Fund	10,691	4,500
Asset-backed commercial paper	-	457
	$ 41,793	**$ 28,469**
Securitization assets:		
Insured mortgage-backed securities (in trust for CMB program)	$ -	$ 907
	$ -	**$ 907**

Corporate Assets

The Company holds an equity investment in a commercial real estate investment fund in which it has a 14.1% equity interest. The fund invests primarily in commercial office buildings and its fair value is based on independent appraisals of the buildings. As property acquisitions are made by the fund, the Company advances its proportionate share to finance the acquisitions. During 2015, the Company recorded a $5,957 gross increase in the fair value of the investment (2014 - $4,399), which is recognized in the consolidated statements of comprehensive income net of deferred taxes. Additionally, the Company recorded distribution income from this investment in 2015 of $2,509 (2014 - $676), which is reflected in interest on financial investments and other loans.

10. Financial Investments (continued)

The Company has funded an investment in the KingSett High Yield Fund in which it has a 9% equity interest. The fund invests in mortgages secured by real estate with a focus on mezzanine, subordinate and bridge mortgages. As mortgage advances are made by the fund, the Company advances its proportionate share. The fund pays a base monthly distribution of 9%, and distributes any additional income earned on a quarterly basis. The Company's total funding commitment is $36,000, which consists of $24,000 of capital advances for the fund and $12,000 that supports credit facilities. As at December 31, 2015, the Company's unfunded commitment was $25,425 (December 31, 2014 - $31,500).

Both investments noted above are designated as available for sale, with changes in fair value recognized in the consolidated statements of comprehensive income.

Securitization Assets

Insured MBS (held in trust for the CMB program) represented receivables from third party MBS issuers held as principal reinvestment assets as part of the Company's participation in the CMB program. The weighted average yield was 1.53% as at December 31, 2014. The fair value of MBS held in trust for the CMB program as at December 31, 2014 was $907.

11. Other Loans

As at December 31	Note		2015		2014
Loans receivable - Executive Share Purchase Plan	30	$	1,559	$	1,523
Loans receivable - MCAP	30		-		164
Loans receivable - other	6		2,617		421
		$	**4,176**	**$**	**2,108**

All other loans are classified as loans and receivables.

12. Equity Investment in MCAP Commercial LP

As at December 31, 2015, the Company held a 14.70% equity interest in MCAP (December 31, 2014 - 14.75%), consisting of 15.0 % of voting class A units (December 31, 2014 - 15.0 %), 0% of non-voting class B units (December 31, 2014 - 0%) and 17.0 % of non-voting class C units (December 31, 2014 - 17.0 %). The equity interest represents 4.3 million units held by MCAN from 29.2 million total outstanding MCAP partnership units. MCAN holds a 15.0% voting interest in MCAP through its class A units (December 31, 2014 - 15.0%).

Since MCAP's fiscal year end is November 30th, MCAN records equity income from MCAP on a one-month lag. To the extent that MCAP has a material transaction during the one-month lag, MCAN is required to reflect the transaction in the month in which it occurred instead of the subsequent month.

MCAP's head office is located at 200 King Street West, Suite 400, Toronto, Ontario, Canada. Although MCAN's voting interest in MCAP was less than 20% as at December 31, 2015, MCAN uses the equity basis of accounting for the investment as it has significant influence in MCAP per IAS 28, *Investments in Associates and Joint Ventures*, as a result of its entitlement to a position on MCAP's Board of Directors.

During 2015, the Company's equity interest was reduced from 14.75% to 14.70% upon the issuance of new Class B units to another partner of MCAP. As a result of this transaction, the Company recognized a $68 gain on dilution.

Years Ended December 31		2015		2014
Balance, beginning of year	$	38,792	$	39,246
Equity income		10,096		6,182
Dilution gain		68		71
Carrying value of portion of investment sold		-		(2,219)
Distributions received		(4,765)		(4,488)
Balance, end of year	**$**	**44,191**	**$**	**38,792**

12. Equity Investment in MCAP Commercial LP (continued)

Selected MCAP financial information is as follows:

As at November 30	2015	2014
MCAP's balance sheet:		
Assets	$ 21,081,191	$ 13,918,671
Liabilities	20,748,503	13,623,804
Equity	332,688	294,867

Year Ended November 30	2015	2014
MCAP revenue and net income:		
Revenue	$ 419,159	$ 312,044
Net income	$ 68,660	$ 40,558

13. Foreclosed Real Estate

The Company holds a real estate investment which is a previously impaired residential construction loan that was foreclosed upon. The investment is carried at the lower of its carrying amount and fair value less estimated costs to sell.

During 2014, the Company sold another real estate investment for a realized a gain of $1,115.

14. Other Assets

As at December 31	2015	2014
Corporate assets:		
Receivables	$ 219	$ 1,247
Capital assets, net	945	667
Intangible assets, net	668	555
Prepaid expenses	569	504
Related party receivable - MCAP	21	53
Other	204	41
	$ 2,626	**$ 3,067**

Other securitization assets, totalling $2,853 as at December 31, 2015 (December 31, 2014 - $1,441), consist of prepaid expenses relating to the Company's participation in securitization programs. Other assets are carried at cost.

The capital assets and intangible assets continuity is as follows:

	Furniture & Fixtures	Computer Hardware	Leasehold Improvements	Capital Assets Total	Intangible Assets
Cost					
At January 1, 2014	$ 793	$ 1,351	$ 1,565	$ 3,709	$ 4,315
Additions	-	203	9	212	71
At December 31, 2014	793	1,554	1,574	3,921	4,386
Additions	23	147	263	433	304
At December 31, 2015	**816**	**1,701**	**1,837**	**4,354**	**4,690**
Amortization					
At January 1, 2014	791	1,207	1,109	3,107	3,691
Amortization for the year	1	84	62	147	140
At December 31, 2014	792	1,291	1,171	3,254	3,831
Amortization for the year	3	98	54	155	191
At December 31, 2015	**795**	**1,389**	**1,225**	**3,409**	**4,022**
Net Book Value					
At December 31, 2014	1	263	403	667	555
At December 31, 2015	**$ 21**	**$ 312**	**$ 612**	**$ 945**	**$ 668**

15. Short-Term Investments

As at December 31	2015	2014
Securitization program cash held in trust	$ 13,112	$ 5,275
Commercial paper (in trust for CMB program)	-	11,488
	$ 13,112	**$ 16,763**

Short term investments consist of cash held in trust for securitization programs and previously included commercial paper held as reinvestment assets for the CMB program, and mature within 90 days. Securitization program cash held in trust represents securitized mortgage principal collections from borrowers payable to MBS holders. The weighted average yield of the commercial paper was 1.18% at December 31, 2014.

16. Mortgages - Securitized

MCAN's securitized mortgage portfolio consists of insured mortgages securitized through the market MBS program and, previously, the CMB program. These mortgages are held as collateral against the related securitization liabilities (Notes 6 and 21).

(a) Summary

As at December 31	2015	2014
Single family insured - Market MBS program	$ 1,075,947	$ 716,112
Single family insured - CMB program	-	25,072
	$ 1,075,947	**$ 741,184**

Certain capitalized transaction costs are included in mortgages and are amortized using the EIM. As at December 31, 2015, the unamortized capitalized cost balance was $13,563 (December 31, 2014 - $9,089). The amortization of these transaction costs incorporates a 12% annual mortgage prepayment rate.

All mortgages in the securitized portfolio are insured, therefore they do not have a collective allowance for credit losses. The fair value of the securitized mortgage portfolio as at December 31, 2015 was $1,107,168 (December 31, 2014 - $762,537).

The weighted average yield of the Company's securitized mortgage portfolio is as follows:

As at December 31	2015	2014
Single family - Market MBS program	2.48%	2.74%
Single family - CMB program	-	3.79%
Total	**2.48%**	**2.78%**

(b) Geographic Analysis

As at	December 31, 2015		December 31, 2014	
Ontario	$ 589,912	54.8%	$ 353,340	47.7%
Alberta	239,192	22.2%	177,481	23.9%
British Columbia	121,811	11.3%	104,243	14.1%
Quebec	43,960	4.1%	42,579	5.7%
Atlantic Provinces	43,712	4.1%	36,205	4.9%
Other	37,360	3.5%	27,336	3.7%
	$ 1,075,947	**100.0%**	**$ 741,184**	**100.0%**

16. Mortgages - Securitized (continued)

Mortgages past due but not impaired are as follows:

As at December 31, 2015	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Single family - Market MBS program	$ 10,651	$ 1,849	$ 1,356	$ 505	$ 14,361
	$ 10,651	**$ 1,849**	**$ 1,356**	**$ 505**	**$ 14,361**

As at December 31, 2014	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Single family - Market MBS program	$ 5,684	$ 947	$ 80	$ 825	$ 7,536
Single family - CMB program	757	-	108	145	1,010
	$ 6,441	**$ 947**	**$ 188**	**$ 970**	**$ 8,546**

There were no impaired securitized mortgages as at December 31, 2015 or December 31, 2014.

17. Derivative Financial Instruments

The Company enters into interest rate swaps to manage interest rate risk between the time that a mortgage rate is committed to borrowers and the time that the mortgage is funded, or in the case of mortgages securitized through the market MBS program, the time that the mortgage is securitized. The interest rate swap counterparty is a Canadian chartered bank. The mortgage commitment interest rate swap is included in other assets or other liabilities depending on its balance.

As part of its participation in the CMB program, the Company entered into “pay-floating, receive-fixed” interest rate swaps to hedge interest rate risk on both securitized mortgages and principal reinvestment assets that had a floating interest rate.

The interest rate swaps are carried at fair value, which is calculated by discounting future net cash flows based on forward interest rates.

As at December 31, 2015, there were no outstanding derivative financial instrument notional balances and the fair value of all instruments was $nil.

As at December 31, 2014	Less than one year	One to three years	Three to five years	Over five years	Total
Mortgage commitment interest rate swaps - fair value	$ -	$ -	$ (133)	$ -	$ (133)
Mortgage commitment interest rate swaps - outstanding notional	$ -	$ -	$ 43,500	$ -	$ 43,500
CMB interest rate swaps - fair value	$ 71	$ -	$ -	$ -	$ 71
CMB interest rate swaps - outstanding notional	$ 6,066	$ -	$ -	$ -	$ 6,066

During 2015, the Company incurred net realized and unrealized losses of $2,914 (2014 - $1,729) on the interest rate swaps used to hedge interest rate risk on mortgage funding commitments. Any offsetting gains are recognized over the duration of the mortgages securitized through the market MBS program through higher spread income, or in the case of mortgages hedged for whole loan sales, when the mortgages are sold to third parties.

The Company does not apply hedge accounting and accordingly, changes in the fair value of the derivatives are not netted against income recognized from the hedged instruments (e.g. spread income over duration of market MBS program issuance, whole loan gains on sale).

17. Derivative Financial Instruments (continued)

Activity related to the CMB interest rate swaps in the current and prior years was as follows:

Years Ended December 31	2015	2014
Balance, beginning of year	$ 71	$ 1,448
Net interest rate swap payments (receipts)	(79)	(1,343)
Unrealized derivative financial instrument (loss) gain	8	(34)
	(71)	(1,377)
Balance, end of year	**$ -**	**$ 71**

18. Term Deposits

Term deposits are issued to various individuals and institutions with original maturities ranging from 30 days to five years. The weighted average term deposit interest rate as at December 31, 2015 was 2.26% (December 31, 2014 - 2.41%). The Company's term deposits are eligible for CDIC deposit insurance.

Term deposits mature as follows: less than one year - $575,914 (December 31, 2014 - $549,131); one to three years - $289,178 (December 31, 2014 - $233,070); three to five years - $37,949 (December 31, 2014 - $39,541).

Term deposits are classified as other financial liabilities and are recorded at amortized cost. The estimated fair value of term deposits as at December 31, 2015 was $905,167 (December 31, 2014 - $825,755), and is determined by discounting the contractual cash flows using market interest rates currently offered for deposits of similar remaining maturities.

19. Income Taxes

The composition of the provision for (recovery) of income taxes is as follows:

Years Ended December 31	2015	2014
Income before income taxes	$ 32,768	$ 26,456
Statutory rate of tax	0%	0%
Tax provision (recovery) before the following:	-	-
Income subject to tax in subsidiaries	(89)	1,010
	$ (89)	**$ 1,010**

Years Ended December 31	2015	2014
Current tax		
Current tax provision	$ -	$ 102
Deferred tax provision (recovery)		
Financial investment	330	155
Relating to loss carry forward benefit	(328)	813
Other	(91)	(60)
	$ (89)	**$ 1,010**

The composition of the deferred tax asset and liability is as follows:

As at December 31	2015	2014
Deferred tax asset		
Loss carry forward benefit	$ 910	$ 582
Other	215	191
	$ 1,125	**$ 773**
Deferred tax liability		
Financial investments	$ 2,299	$ 1,177
Other	-	69
	$ 2,299	**$ 1,246**

19. Income Taxes (continued)

The Company has loss carry forward amounts in the non-consolidated MIC entity of $11,710 (December 31, 2014 - $6,175), the benefit of which has not been recorded to deferred taxes. Tax loss carry forwards expire after 20 years, as follows:

2032	$ 210
2033	5,965
2034	5,535
	$ 11,710

20. Other Liabilities

As at December 31	**Note**	**2015**	**2014**
Corporate liabilities:			
Accounts payable and accrued charges		$ 5,805	$ 5,243
Dividends payable		6,607	5,826
Derivative financial instruments	17	-	133
		$ 12,412	**$ 11,202**
Securitization liabilities:			
Other		$ -	$ 42
		$ -	**$ 42**

21. Financial Liabilities from Securitization

Financial liabilities from securitization include financial liabilities relating to the Company's participation in the market MBS program and, previously, the CMB program.

As at December 31	**Note**	**2015**	**2014**
Financial liabilities - Market MBS program	6	$ 1,070,304	$ 708,122
Financial liabilities - CMB program	6	-	37,941
		$ 1,070,304	**$ 746,063**

The financial liabilities - market MBS program had a weighted average interest rate of 1.87% (December 31, 2014 - 2.07%) as at December 31, 2015. The financial liabilities - CMB program had a weighted average interest rate of 3.21% as at December 31, 2014.

Financial liabilities from securitization as at December 31, 2015 mature as follows: 2018 - $137,731, 2019 - $504,041, 2020 - $428,532.

22. Share Capital and Contributed Surplus

The authorized share capital of the Company is unlimited common shares with no par value.

	Number of Shares	**2015**	**Number of Shares**	**2014**
Balance, January 1	20,807,761	$ 183,939	20,460,936	$ 179,215
Issued				
Rights offering	1,406,084	15,111	-	-
Dividend reinvestment plan	568,588	7,332	346,825	4,724
Balance, December 31	**22,782,433**	**$ 206,382**	**20,807,761**	**$ 183,939**

22. Share Capital and Contributed Surplus (continued)

During 2015, the Company completed a rights offering. The rights offering raised net proceeds of $15,111 with 1,406,084 new common shares issued.

During 2015, the Company issued 568,588 (2014 -346,825) shares under the dividend reinvestment plan ("DRIP") out of treasury at the weighted average trading price for the 5 days preceding such issue less a discount of 2%. The DRIP participation rate for the December 31, 2015 dividend was 14% (December 31, 2014 - 31%).

The Company had no potentially dilutive instruments as at December 31, 2015 or December 31, 2014.

Contributed surplus of $510 represents the discount on the repurchase of warrants in 2004.

23. Dividends

Subsequent to the end of the year and before the date that these consolidated financial statements were authorized for issuance, the Board declared a quarterly dividend of $0.29 per share payable on March 31, 2016 to shareholders of record as of March 15, 2016.

24. Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of unrealized gains and losses on available for sale marketable securities and financial investments.

As at December 31	**2015**	**2014**
To be reclassified to the income statement in subsequent periods:		
Unrealized gain (loss) on available for sale marketable securities	$ (2,571)	$ (325)
Unrealized gain on available for sale financial investments	13,675	7,718
Less: deferred taxes	(1,811)	(1,020)
	11,864	6,698
	$ 9,293	**$ 6,373**

25. Fees

Fees include extension, renewal and letter of credit fees earned on the Company's corporate mortgage portfolio.

26. Mortgage Expenses

Corporate Assets

Years Ended December 31	**2015**	**2014**
Mortgage servicing expense	$ 3,016	$ 2,952
Letter of credit expense	623	618
Other mortgage expenses	184	250
	$ 3,823	**$ 3,820**

Letter of credit expense relates to outstanding letters of credit in one of the Company's credit facilities, discussed in note 32.

Securitization Assets

Mortgage expenses associated with securitization assets consist primarily of mortgage servicing expenses.

27. Provision for Credit Losses

Years Ended December 31	Note	2015	2014
Mortgages - collective provisions	9	$ 647	$ 180
Mortgages - individual provisions (reversals), net	9	23	(194)
Other provisions (recoveries), net		(395)	(969)
		$ 275	**$ (983)**

28. Other Securitization Income

Other securitization income includes net interest rate swap receipts from the CMB program and market MBS program interest-only strip gains on sale.

29. Whole Loan Gain on Sale Income

The Company regularly sells mortgages to third party mortgage aggregators on a whole-loan basis with mortgage premiums received at the time of sale. The Company maintains renewal rights on these sales.

During 2015, the Company sold $26,215 of insured mortgages (2014 - $69,590) and recorded a gain on sale of $626 (2014 - $1,296).

30. Related Party Disclosures

The consolidated financial statements include the financial statements of the Company and its equity-accounted associate, MCAP. The Company holds a 14.70% equity interest in MCAP (December 31, 2014 - 14.75%), a non-public entity. MCAP's principal activities include the origination and servicing of mortgages. The Company holds one of five seats on MCAP's Board of Directors.

Transactions between the Company and its subsidiaries meet the definition of related party transactions. If these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

During 2015, the Company purchased certain corporate services from MCAP in the amount of $231 (2014 - $547) and purchased certain mortgage origination and administration services from MCAP in the amount of $3,840 (2014 - $3,128). Also, the Company received $4,841 (2014 - $1,720) of mortgage fees from MCAP.

During 2015, the Company paid $5,346 in mortgage premiums to MCAP as part of the acquisition of mortgages securitized through the market MBS program (2014 - $7,814).

As at December 31, 2014, MCAN held loans receivable from MCAP of $164 bearing interest at 5% that were repaid during 2015.

The Company holds construction loans totalling $3,971 as at December 31, 2015 for which the borrower is a close family member of a member of the Board (December 31, 2014 - $5,285). The loans were contracted at market terms.

All related party transactions noted above were in the normal course of business.

Compensation of key management personnel, which include the President and Chief Executive Officer, Vice President and Chief Financial Officer, Vice President and Chief Investment Officer, Vice President and Chief Risk Officer and Vice President, Operations, is as follows:

Years Ended December 31	2015	2014
Salaries and short term employee benefits	$ 2,220	$ 1,961
Other long term benefits	56	202
	$ 2,276	**$ 2,163**

30. Related Party Disclosures (continued)

Executive Share Purchase Plan

The Company has an Executive Share Purchase Plan (the "Share Purchase Plan") whereby the Board of Directors can approve loans to key personnel for the purpose of purchasing the Company's common shares. The maximum amount of loans approved under the Share Purchase Plan is limited to 10% of the issued and outstanding common shares.

Dividend distributions on the common shares are used to reduce the principal balance of the loans as follows: 50% of regular distributions; 75% of capital gain distributions. Common shares are issued out of treasury for the Share Purchase Plan at the weighted average trading price for the 20 days preceding such issue.

The Company advanced $185 of new loans under the Share Purchase Plan during 2015 (2014 - $nil). The loans advanced were provided to purchase shares issued through the rights offering. As at December 31, 2015, $1,559 of loans were outstanding (December 31, 2014 - $1,523) (Note 11). The loans under the Share Purchase Plan bear interest at prime plus 1% (3.7%) as at December 31, 2015 (December 31, 2014 - prime plus 1% (4%)) and have a five-year term. The shares are pledged as security for the loans and had a fair value of $2,469 as at December 31, 2015 (December 31, 2014 - $2,738).

During 2015, MCAN recognized $58 of interest income (2014 - $62) on the Share Purchase Plan loans.

Deferred Share Units Plan

The Company has a Deferred Share Units Plan (the "DSU Plan") whereby the Board of Directors granted units under the DSU Plan to the President and Chief Executive Officer (the "DSU Participant"). Each unit is equivalent in value to one common share of the Company. Following his retirement/termination date, the DSU Participant is entitled to receive cash for each unit. The individual unit value is based on the average market value of the Company's common shares for the five days preceding the retirement/termination date. The DSU Participant was granted 30,000 units under the DSU Plan during 2010. The DSU Participant is entitled to receive dividend distributions in the form of additional units. All dividends paid after July 6, 2014 vest immediately such that as at December 31, 2015, all 48,890 units issued had vested (December 31, 2014 - 44,905).

The Company recognizes compensation recoveries or expenses associated with the DSU Plan over the vesting period. The compensation expense (recovery) recognized related to the DSU Plan for 2015 was $(61) (2014 - $147). As at December 31, 2015, the accrued DSU Plan liability was $581 (December 31, 2014 - $643).

Restricted Share Units Plan

The Company has a Restricted Share Units Plan (the "RSU Plan") whereby the Board of Directors granted units under the RSU Plan to certain members of senior management of the Company (the "RSU Participants"). Each unit is equivalent in value to one common share of the Company. The RSU Participants are entitled to receive cash for each unit three years subsequent to the awarding of the units subject to continued employment with the Company. The individual unit values are based on the value of the Company's common shares at the time of payment. In addition, the RSU Participants are entitled to receive dividend distributions in the form of additional units. All RSU units vest after three years.

During 2015, the RSU Participants were granted 35,120 units under the RSU Plan (2014 - 14,999). As at December 31, 2015, 65,802 units were outstanding (December 31, 2014 - 27,984). As at December 31, 2015, no units had vested (December 31, 2014 - nil).

The Company recognizes compensation expenses associated with the RSU Plan over the vesting period. The compensation expense recognized related to the RSU Plan for 2015 was $152 (2014 - $75). As at December 31, 2015, the accrued RSU Plan liability was $229 (December 31, 2014 - $77).

31. Commitments and Contingencies

The Company's mortgage funding commitments relate primarily to its corporate residential construction loan portfolio. The commitment as noted below represents the undrawn portion of the authorized loan facility for construction and commercial loans. For single family mortgages, the commitment represents irrevocable offers to clients that the Company is contractually obligated to fund.

For further details on the commitment associated with the KingSett High Yield Fund investment, refer to Note 10.

The Company also has contractual obligations associated with its premises lease.

As at December 31, 2015	Less than one year	One to three years	Three to five years	Over five years	Total
Mortgage funding commitments	$ 255,987	$ 52,255	$ -	$ -	$ 308,242
Commitment - KingSett High Yield Fund	-	-	-	25,425	25,425
Operating lease	575	1,496	1,193	1,881	5,145
	$ 256,562	**$ 53,751**	**$ 1,193**	**$ 27,306**	**$ 338,812**

The Company incurred $492 of operating lease expenses during 2015 (2014 - $418), included in general and administrative expenses.

The Company outsources the majority of its mortgage servicing and continues to pay servicing expenses as long as the mortgages remain on its consolidated balance sheet.

In the ordinary course of business, MCAN and its service providers (including MCAP), their subsidiaries and related parties may from time to time be party to legal proceedings which may result in unplanned payments to third parties.

To the best of its knowledge, the Company's management does not expect the outcome of any existing proceedings to have a material effect on the consolidated financial position or results of operations of the Company.

32. Credit Facilities

The Company has a line of credit from a Canadian chartered bank that is a $75,000 facility bearing interest at prime plus 0.75% (3.45%) at December 31, 2015 (December 31, 2014 - prime plus 0.75% (3.75%)). The facility has a sub limit of $50,000 for issued letters of credit and $50,000 for overdrafts, and is due and payable upon demand. As at December 31, 2015, the outstanding overdraft balance was $nil (December 31, 2014 - $nil). The letters of credit have a term of up to one year from the date of issuance, plus a renewal clause providing for an automatic one-year extension at the maturity date subject to the bank's option to cancel by written notice at least 30 days prior to the letters of credit expiry date. The letters of credit are for the purpose of supporting developer obligations to municipalities in conjunction with residential construction loans. As at December 31, 2015, there were letters of credit in the amount of $35,863 issued (December 31, 2014 - $36,357) and additional letters of credit in the amount of $22,936 committed but not issued (December 31, 2014 - $16,347).

The Company maintains a credit warehouse facility with a Schedule III Canadian bank which can be drawn as required as mortgage fundings occur. The facility bears interest at the prime rate (2.70%) and carries a standby charge on the unused portion of the facility equal to 0.25% of amounts up to $35,000 and 0.50% of amounts over $35,000. The facility provides for up to $50,000 of borrowings. Insured mortgages are eligible to act as collateral in the facility for a period of no longer than one year. As at December 31, 2015, the Company had borrowed $nil from this facility (December 31, 2014 - $nil).

Subsequent to year end, the Schedule III Canadian bank ceased its operations and was placed under supervisory administration. The credit warehouse facility was terminated as of this date. The termination of the credit warehouse facility did not have a material impact on the Company's operations or liquidity given other sources of funding available to the Company.

33. Interest Rate Sensitivity

Interest rate risk, or sensitivity, is the potential impact of changes in interest rates on financial assets and liabilities. Interest rate risk arises when principal and interest cash flows have mismatched repricing and maturity dates.

An interest rate gap is a common measure of interest rate sensitivity. A positive gap occurs when more assets than liabilities reprice/mature within a particular time period. A negative gap occurs when there is an excess of liabilities over assets repricing/maturing. The former provides a positive earnings impact in the event of an increase in interest rates during the time period. Conversely, negative gaps are positively positioned for decreases in interest rates during that particular time period. The determination of the interest rate sensitivity or gap position is based upon the earlier of the repricing or maturity date of each asset and liability, and includes numerous assumptions.

The interest rate sensitivity analysis is based on the Company's consolidated balance sheets as at December 31, 2015 and December 31, 2014 and does not incorporate mortgage and loan prepayments. The Company currently cannot reasonably estimate the impact of prepayments on its interest rate sensitivity analysis. The analysis is subject to significant change in subsequent periods based on changes in customer preferences and in the application of asset/liability management policies.

Floating rate assets and liabilities are immediately sensitive to a change in interest rates while other assets are sensitive to changing interest rates periodically, either as they mature or as contractual repricing events occur. Non-interest rate sensitive assets and liabilities are not directly affected by changes in interest rates.

The Company manages interest rate risk by matching the terms of corporate assets and term deposits. To the extent that the two components offset each other, the risks associated with interest rate changes are reduced. The Asset and Liability Management Committee ("ALCO") reviews the Company's interest rate exposure on a monthly basis using interest rate spread and gap analysis as well as interest rate sensitivity analysis based on various scenarios. This information is also formally reviewed by the Risk Committee of the Board each quarter.

The following table presents the assets and liabilities of the Company by interest rate sensitivity. Yield spread represents the difference between the weighted average interest rate of the assets and liabilities in a certain category.

As at December 31, 2015	Floating Rate	Within 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 years	Over 5 years	Non Interest Sensitive	Total
Assets								
Corporate	$ 341,705	$ 66,107	$ 325,826	$ 252,821	$ 32,992	$ 18,063	$ 117,532	$ 1,155,046
Securitization	-	13,112	-	179,577	896,370	-	2,853	1,091,912
	341,705	79,219	325,826	432,398	929,362	18,063	120,385	2,246,958
Liabilities								
Corporate	-	86,895	489,020	289,175	37,951	-	14,811	917,852
Securitization	-	-	-	137,731	932,573	-	-	1,070,304
	-	86,895	489,020	426,906	970,524	-	14,811	1,988,156
Shareholders' Equity	-	-	-	-	-	-	258,802	258,802
GAP	**$ 341,705**	**$ (7,676)**	**$ (163,194)**	**$ 5,492**	**$ (41,162)**	**$ 18,063**	**$ (153,228)**	-
YIELD SPREAD	**4.08%**	**2.42%**	**2.98%**	**1.95%**	**1.02%**	**6.47%**		

33. Interest Rate Sensitivity (continued)

As at December 31, 2014	Floating Rate	Within 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Non Interest Sensitive	Total
Assets								
Corporate	$ 426,156	$ 60,460	$ 224,321	$ 158,482	$ 61,745	$ 27,483	$ 86,705	$ 1,045,352
Securitization	2,796	21,392	18,913	-	715,825	-	1,440	760,366
	428,952	81,852	243,234	158,482	777,570	27,483	88,145	1,805,718
Liabilities								
Corporate	-	79,264	470,000	233,071	39,538	-	12,437	834,310
Securitization	-	-	37,941	-	708,122	-	42	746,105
	-	79,264	507,941	233,071	747,660	-	12,479	1,580,415
Shareholders' Equity	-	-	-	-	-	-	225,303	225,303
GAP	**$ 428,952**	**$ 2,588**	**$ (264,707)**	**$ (74,589)**	**$ 29,910**	**$ 27,483**	**$ (149,637)**	**-**
YIELD SPREAD	**4.64%**	**3.20%**	**3.18%**	**2.96%**	**1.02%**	**4.37%**		

Certain residential construction loans and single family uninsured completed inventory loans are subject to the greater of a minimum interest rate (ranging between 3.75% and 16%) or a prime based interest rate. To the extent that the minimum rate exceeds the prime based rate as at December 31, 2015, these mortgages have been reflected in the table above as fixed rate mortgages, as follows: within 3 months - $33,005 (December 31, 2014 - $5,401), 3 months to 1 year - $75,877 (December 31, 2014 - $11,179) and 1 to 5 years - $85,065 (December 31, 2014 - $6,700).

An immediate and sustained 1% increase to market interest rates as at December 31, 2015 would have an estimated positive effect of $1,508 (December 31, 2014 - $3,148) to net income over the following twelve month period. An immediate and sustained 1% decrease to market interest rates as at December 31, 2015 would have an estimated adverse effect of $720 (December 31, 2014 - $2,995) to net income over the following twelve month period. An immediate and sustained 1% increase (decrease) to market interest rates as at December 31, 2015 would have an estimated adverse (positive) effect of $27 (December 31, 2014 - $65) on accumulated other comprehensive income.

When calculating the effect of an immediate and sustained 1% change in market interest rates on net investment income, the Company determines which assets and liabilities reprice over the following twelve months and applies a 1% change to their respective yields at the time of repricing to determine the change in net investment income for the duration of the twelve month period.

34. Capital Management

The Company's primary capital management objectives are to maintain sufficient capital for regulatory purposes and to earn acceptable and sustainable risk-weighted returns for shareholders. Through its risk management and corporate governance framework, the Company assesses current and projected economic, housing market, interest rate and credit conditions to determine appropriate levels of capital. The Company typically pays out all of its taxable income by way of dividends. Capital growth is achieved through retained earnings, public share offerings, rights offerings and the DRIP. The Company's capital management is driven by the guidelines set out by the Tax Act and OSFI.

Income Tax Capital

As a MIC under the Tax Act, the Company is limited to an income tax liabilities to capital ratio of 5:1 (or an income tax assets to capital ratio of 6:1), based on the non-consolidated balance sheet in the MIC entity measured at its tax value. Securitization assets and liabilities (less accrued interest) are both excluded from income tax assets, liability and capital to the extent that they are held in the MIC entity.

The Company manages its income tax assets to a level of 5.75 times income tax capital on a non-consolidated tax basis to provide a prudent cushion between its limit and total actual assets. The Company manages its capital to comply with the requirements of the MIC test and OSFI regulations at all times.

34. Capital Management (continued)

As at December 31	2015	2014
Tax Act Ratios		
Income tax assets		
Consolidated assets	$ 2,246,958	$ 1,804,945
Adjust for assets in subsidiaries	5,535	9,141
Non-consolidated assets in MIC entity	2,252,493	1,814,086
Add: mortgage allowances	4,953	4,397
Less: securitization assets [1]	(1,091,099)	(758,936)
Less: equity investments in subsidiaries	(31,088)	(18,551)
Other adjustments	122	(965)
	$ 1,135,381	$ 1,040,031
Income tax liabilities		
Consolidated liabilities	$ 1,988,156	$ 1,579,642
Adjust for liabilities in subsidiaries	(6,213)	(730)
Non-consolidated liabilities in MIC entity	1,981,943	1,578,912
Less: securitization liabilities [1]	(1,068,541)	(744,888)
	$ 913,402	$ 834,024
Income tax capital	$ 221,979	$ 206,007
Income tax capital ratios		
Income tax assets to capital ratio	5.11	5.05
Income tax liabilities to capital ratio	4.11	4.05

[1] *Securitization program assets and liabilities per balance sheet (less accrued interest) are excluded from income tax assets, liabilities and capital to the extent that they are held in the MIC entity.*

Regulatory Capital

As a Loan Company under the Trust Act, OSFI oversees the adequacy of the Company's capital. For this purpose, OSFI has imposed minimum capital to risk-weighted asset ratios and a minimum leverage ratio which is calculated on a different basis from the aforementioned MIC leverage ratio.

In order to promote a more resilient banking sector and strengthen global capital standards, the Basel Committee on Banking Supervision ("BCBS") has issued a revised capital framework, referred to as Basel III. Further details on Basel III are available in the Capital Management section of the Management's Discussion and Analysis ("MD&A") or on the Company's website at www.mcanmortgage.com.

34. Capital Management (continued)

As at December 31	2015	2014
Regulatory Ratios (OSFI)		
Share capital	$ 206,382	$ 183,939
Contributed surplus	510	510
Retained earnings	42,617	34,481
Accumulated other comprehensive income	9,293	6,373
Deduction for equity investment in MCAP (Transitional adjustment) [1]	(7,324)	(3,252)
Common Equity Tier 1, Tier 1 and Total Capital (Transitional)	251,478	222,051
Deduction for equity investment in MCAP (All-in adjustment) [1]	(10,986)	(13,008)
Common Equity Tier 1, Tier 1 and Total Capital (All-in)	$ 240,492	$ 209,043
Total Exposures/Regulatory Assets [2]		
Consolidated assets	$ 2,246,958	$ 1,805,718
Less: CMB-related assets	-	(33,286)
Less: deductions from all-in Tier 1 Capital [1,2]	(18,310)	n/a
Less: deductions from transitional Total Capital [1,2]	n/a	(3,252)
Other adjustments [5]	2,229	2,017
Total On-Balance Sheet Exposures [3]	2,230,877	
Mortgage and investment funding commitments [3]	333,667	
Less: conversion to credit equivalent amount (50%)	(166,834)	
Letters of credit [4]	35,863	36,357
Less: conversion to credit equivalent amount (50%)	(17,932)	
Off-Balance Sheet Items [3]	184,764	
Total Exposures/Regulatory Assets [2]	$ 2,415,641	$ 1,807,554
Leverage ratio [2]	9.96%	n/a
Assets to capital multiple [2]	n/a	8.14
Risk weighted assets (transitional)	$ 1,063,936	$ 950,263
Risk weighted assets (all-in)	$ 1,041,964	$ 924,243
Regulatory Capital Ratios		
Common Equity Tier 1 capital to risk-weighted assets ratio (transitional)	23.64%	23.37%
Tier 1 capital to risk-weighted assets ratio (transitional)	23.64%	23.37%
Total capital to risk-weighted assets ratio (transitional)	23.64%	23.37%
Common Equity Tier 1 capital to risk-weighted assets ratio (all-in)	23.08%	22.62%
Tier 1 capital to risk-weighted assets ratio (all-in)	23.08%	22.62%
Total capital to risk-weighted assets ratio (all-in)	23.08%	22.62%

[1] *The deduction for the equity investment in MCAP is equal to the amount of the investment in excess of 10% of the Company's shareholders' equity on an all-in basis. In 2015, the deduction on the transitional basis is equal to 40% of the all-in adjustment (2014 - 20%).*
[2] *The leverage ratio replaced the assets to capital multiple as of January 1, 2015 such that the leverage ratio is n/a for 2014 and the assets to capital multiple is n/a for 2015. The leverage ratio is based on all-in Tier 1 Capital while the assets to capital multiple was based on transitional Total 1 Capital. The leverage ratio refers to its denominator as "Total Exposures", while the assets to capital multiple referred to its numerator as "Regulatory Assets".*
[3] *Not applicable for the assets to capital multiple as at December 31, 2014. Commitments are included in total exposures at a 50% conversion factor.*
[4] *Letters of credit are included in total exposures at a 50% conversion factor in the calculation of the leverage ratio, but were included at 100% in the calculation of the assets to capital multiple.*
[5] *Certain items, such as negative cash balances, are excluded from total exposures but included in consolidated assets.*

As at December 31, 2015 and December 31, 2014, the Company was in compliance with the capital guidelines issued by OSFI under Basel III.

34. Capital Management (continued)

The Company's assets, analyzed on a risk-weighted basis, are outlined in the table below.

	December 31, 2015			December 31, 2014		
(in thousands except %)	per B/S	Rate	RWA	per B/S	Rate	RWA
On-Balance Sheet Assets						
Cash and cash equivalents	$ 75,762	21%	$ 15,598	$ 51,090	21%	$ 10,622
Marketable securities	40,735	100%	40,735	24,900	100%	24,900
Mortgages - corporate	944,109	67%	629,171	895,467	65%	580,722
Mortgages - securitized	1,075,947	3%	27,288	741,184	3%	19,669
Financial investments	41,793	100%	41,793	28,469	118%	33,720
Other loans	4,176	100%	4,176	2,108	100%	2,108
Equity investment in MCAP (all-in) [1]	44,191	59%	25,879	38,792	58%	22,529
Foreclosed real estate	529	100%	529	686	100%	686
Other assets	6,604	100%	6,604	4,508	100%	4,508
			791,773			699,464
Off-Balance Sheet Items						
Letters of credit	35,863	50%	17,932	36,357	50%	18,178
Commitments	333,667	44%	148,109	368,656	38%	140,259
			166,041			158,437
Derivative Financial Instruments						
Potential credit exposure			-			218
Positive replacement cost			-			71
Credit equivalent			-			289
Risk weighting			20%			20%
Risk-weighted equivalent			-			58
Charge for operational risk			84,150			66,284
Risk-Weighted Assets (all-in)			1,041,964			924,243
Equity investment in MCAP (transitional adjustment) [1]			21,972			26,020
Risk-Weighted Assets (transitional)			**$ 1,063,936**			**$ 950,263**

[1] *In calculating risk-weighted assets on the "all-in" basis, the capital deduction related to the investment in MCAP is risk weighted at 0%, while the component not deducted from capital is risk-weighted at 100%. In calculating risk-weighted assets on the transitional basis, the difference between the all-in deduction and the transitional deduction is risk-weighted at 200%.*

The risk-weighting of all on-balance sheet assets (except derivative financial instruments) and all off-balance sheet assets is based on a prescribed percentage of the underlying asset position, in addition to adjustments for other items such as impaired mortgages and unrated securitization investments. The derivative financial instrument credit equivalent amount consists of the fair value of the derivative and an amount representing the potential future credit exposure. Risk-weighted assets also include an operational risk charge, which is based on certain components of the Company's net investment income over the past 12 quarters.

35. Financial Instruments

The majority of the Company's consolidated balance sheet consists of financial instruments, and the majority of net income is derived from the related income, expenses, gains and losses. Financial instruments include cash and cash equivalents, short-term investments, marketable securities, mortgages, financial investments, other loans, financial liabilities from securitization, term deposits, loans payable and derivative financial instruments.

All financial instruments that are carried on the consolidated balance sheets at fair value (marketable securities, certain financial investments and derivative financial instruments) or for which fair value is disclosed are estimated using valuation techniques based on observable market data such as market interest rates currently charged for similar financial investments to expected maturity dates.

The following table summarizes financial assets reported at fair value and financial assets and liabilities for which fair values are disclosed. Financial assets and liabilities are classified into three levels, as follows: quoted prices in an active market (Level 1), fair value based on observable inputs other than quoted prices (Level 2) and fair value based on inputs that are not based on observable data (Level 3).

As at December 31, 2015	Level 1	Level 2	Level 3	Total	Carrying value
Assets measured at fair value					
Cash and cash equivalents	$ 75,762	$ -	$ -	$ 75,762	$ 75,762
Marketable securities	37,958	2,777	-	40,735	40,735
Financial investments - commercial real estate [1]	-	-	31,102	31,102	31,102
Financial investments - KingSett High Yield Fund [2]	-	-	10,691	10,691	10,691
Securitization program cash held in trust	13,112	-	-	13,112	13,112
	$ 126,832	$ 2,777	$ 41,793	$ 171,402	$ 171,402
Assets for which fair values are disclosed					
Mortgages - corporate [3]	$ -	$ -	$ 958,772	$ 958,772	$ 944,109
Other loans [4]	-	-	4,176	4,176	4,176
Mortgages - securitized [3]	-	-	1,107,168	1,107,168	1,075,947
	$ -	$ -	$ 2,070,116	$ 2,070,116	$ 2,024,232
Liabilities measured at fair value					
Other liabilities - corporate [5]	$ -	$ -	$ 12,412	$ 12,412	$ 12,412
Liabilities for which fair values are disclosed					
Term deposits [6]	$ -	$ -	$ 905,167	$ 905,167	$ 903,041
Financial liabilities from securitization [7]	-	-	1,103,339	1,103,339	1,070,304
	$ -	$ -	$ 2,008,506	$ 2,008,506	$ 1,973,345

[1] Fair value of investment is based on the underlying real estate properties determined by the discount cash flow method and direct capitalization method. The significant unobservable inputs are the capitalization rate and discount rate.
[2] Fair value is based on returns earned by the fund in excess of its base rate.
[3] Corporate and securitized fixed rate mortgages are calculated based on discounting the expected future cash flows of the mortgages, adjusting for credit risk and prepayment assumptions at current market rates for offered mortgages based on term, contractual maturities and product type. For variable rate mortgages, fair value is assumed to equal their carrying amount since there are no fixed spreads. The Company classifies its mortgages as level 3 given the fact that although many of the inputs to the valuation models used are observable, the mortgages are not specifically quoted in an open market.
[4] Fair value is assumed to be the carrying value as underlying mortgages and loans are variable rate.
[5] The carrying value of the asset/liability approximates fair value.
[6] As term deposits are non-transferable by the deposit holders, there is no observable market. As such, the fair value of the deposits is determined by discounting expected future cash flows of the deposits at current offered rates for deposits with similar terms.
[7] Fair value of financial liabilities from securitization is determined using current market rates for MBS.

35. Financial Instruments (continued)

As at December 31, 2014	Level 1	Level 2	Level 3	Total	Carrying Value
Assets measured at fair value					
Cash and cash equivalents	$ 51,090	$ -	$ -	$ 51,090	$ 51,090
Marketable securities	19,876	5,024	-	24,900	24,900
Financial investments - commercial real estate [1]	-	-	23,512	23,512	23,512
Financial investments - KingSett High Yield Fund [2]	-	-	4,500	4,500	4,500
Securitization program cash held in trust	5,275	-	-	5,275	5,275
Derivative financial instruments - securitization	-	71	-	71	71
	$ 76,241	$ 5,095	$ 28,012	$ 109,348	$ 109,348
Assets for which fair values are disclosed					
Mortgages - corporate [3]	$ -	$ -	$ 911,882	$ 911,882	$ 895,467
Financial investments					
- asset-backed commercial paper [4]	-	-	457	457	457
Other loans [4]	-	-	2,108	2,108	2,108
Short-term investments - commercial paper	-	11,488	-	11,488	11,488
Mortgages - securitized [3]	-	-	762,537	762,537	741,184
Financial investments - securitization	-	907	-	907	907
	$ -	$ 12,395	$ 1,676,984	$ 1,689,379	$ 1,651,611
Liabilities measured at fair value					
Other liabilities - corporate [5]	$ -	$ -	$ 11,202	$ 11,202	$ 11,202
Derivative financial instruments - corporate	-	133	-	133	133
Other liabilities - securitization [5]	-	-	42	42	42
	$ -	$ 133	$ 11,244	$ 11,377	$ 11,377
Liabilities for which fair values are disclosed					
Term deposits [6]	$ -	$ -	$ 825,755	$ 825,755	$ 821,742
Financial liabilities from securitization [7]	-	-	756,984	756,984	746,063
	$ -	$ -	$ 1,582,739	$ 1,582,739	$ 1,567,805

[1] *Fair value of investment is based on the underlying real estate properties determined by the discount cash flow method and direct capitalization method. The significant unobservable inputs are the capitalization rate and discount rate.*
[2] *Fair value is based on returns earned by the fund in excess of its base rate.*
[3] *Corporate and securitized fixed rate mortgages are calculated based on discounting the expected future cash flows of the mortgages, adjusting for credit risk and prepayment assumptions at current market rates for offered mortgages based on term, contractual maturities and product type. For variable rate mortgages, fair value is assumed to equal their carrying amount since there are no fixed spreads. The Company classifies its mortgages as level 3 given the fact that although many of the inputs to the valuation models used are observable, the mortgages are not specifically quoted in an open market.*
[4] *Fair value is assumed to be the carrying value as underlying mortgages and loans are variable rate.*
[5] *The carrying value of the asset/liability approximates fair value.*
[6] *As term deposits are non-transferable by the deposit holders, there is no observable market. As such, the fair value of the deposits is determined by discounting expected future cash flows of the deposits at current offered rates for deposits with similar terms.*
[7] *Fair value of financial liabilities from securitization is determined using current market rates for MBS and CMB.*

The following table shows the continuity of Level 3 financial assets recorded at fair value:

Balance, December 31, 2014	$ 28,012
Advances	7,824
Changes in fair value, recognized in other comprehensive income	5,957
Balance, December 31, 2015	**$ 41,793**

An increase of 0.25% to capitalization rates as at December 31, 2015 would result in a decrease to the fair value of Level 3 financial investments - commercial real estate by $361 (December 31, 2014 - $399). A decrease of 0.25% to capitalization rates as at December 31, 2015 would result in an increase to the fair value of Level 3 financial investments - commercial real estate by $376 (December 31, 2014 - $417).

There were no transfers between levels during the years ended December 31, 2015 or December 31, 2014.

35. Financial Instruments (continued)

Risk Management

The types of risks to which the Company is exposed include but are not limited to interest rate, credit, liquidity and market risk. The Company's enterprise risk management framework includes policies, guidelines and procedures, with oversight by senior management and the Board of Directors. These policies are developed and implemented by management and reviewed and approved annually by the Board of Directors.

The nature of these risks and how they are managed is provided in the Risk Governance and Management section of the MD&A. Certain disclosures required under IFRS 7, *Financial Instruments: Disclosures*, related to the management of credit, interest rate, liquidity and market risks inherent with financial instruments are included in the MD&A. The relevant MD&A sections are identified by shading within boxes and the content forms an integral part of these consolidated financial statements.

36. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year. There was no impact to the financial position or net income as a result of these reclassifications.