

## MANDATE NATIONAL MORTGAGE CORPORATION

### PRESIDENT'S REPORT

Revenue for the three months ending June 30, 2011 decreased 3.78% to \$148,213 from \$154,035 a year earlier due to a decrease in mortgage interest income from non performing loans. Net income for the three months decreased 45.7% to \$70,232 or \$.0834 per share compared with \$129,410 or \$.15 per share for the same period in 2010 due to a specific loss provision provided on an asset held for sale.

In March 2005, the Company together with a co-lender funded a construction loan to build a low cost seniors rental building in Chinatown, Vancouver. In 2007, the Borrower abandoned the project and the Lenders completed the project. In order to maximize value, the improvements were strata titled and offered for sale in 2010 without success. Management then listed the property for sale as a rental building and has accepted an offer which, if completed in the third quarter of 2011 would incur a significant loss. To that end, a partial specific provision of \$35,000 was expensed against income in the second quarter thereby resulting in a lower yield than is normally earned. Management anticipates offsetting the potential loss with the proceeds of syndication and extraordinary income. Should this be insufficient, then the income for distribution and hence yield in the third quarter would be lower.

While this is not an easy decision to make, it is appropriate to deal with the issue now and move forward and utilize the sale proceeds to generate new interest and fee income to increase the yield to shareholders.

### FINANCIAL HIGHLIGHTS

Source: [globefund.com](http://globefund.com)

As of June 30, 2011						
Fund name	5 Star Rating	1 yr %	3 yr %	5 yr %	10yr %	15yr %
Mandate	*****	5.88	7.83	8.64	7.98	7.79

- Annualized return on common shareholders' equity for the three (3) months ending June 30, 2011 was **3.60%** while return on preferred shareholders' equity was **3.33%**. This compares favourably to the average one year return of G.I.C.'s of up to 1.75% or Fixed Income Mutual Funds up to 3.0%.
- Provisions for losses totaled \$121,347 or 2.03% of the portfolio compared to \$88,152 or 1.73% in 2010. This is in keeping with the Company policy which is to provide an allowance for losses which may occur when a property is sold via foreclosure and there is insufficient proceeds to repay a loan in full. A provision of 60 basis points is provided for all new loans and 100 basis points for loans in arrears.

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**MANDATE**  
*National Mortgage Corporation*

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**SECOND QUARTER REPORT**

**JUNE 30, 2011**

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