

## MANDATE NATIONAL MORTGAGE CORPORATION

### PRESIDENT'S REPORT

Revenue for the three months ending September 30, 2006 decreased 8.9% to \$194,430.00 from \$211,837.00 a year earlier. This was due to a 7.0% decrease of income producing mortgages on the Balance Sheet year over year.

Net income for the three months increased 3.2% to \$156,105.00 or \$.22 per share compared with \$151,191.00 or \$.20 per share for the same period in 2005. Operating expenses were 58% lower due to a reduction in costs such as transfer agent fees, management fees and bad debt provisions.

Interest rates are expected to remain stable in late 2006 and into 2007. The increase in rates so far in 2006 has seemingly moderated inflation expectations. The slowdown in housing starts over the past two months is expected to continue for the balance of the year due to declining affordability and rise in construction costs.

With no significant correction to real estate values in the short term, the Company continues to remain cautiously optimistic that prudently underwritten loans will continue to offer attractive returns to its shareholders.

### FINANCIAL HIGHLIGHTS

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

As of September 30, 2006							
Fund name	5 Star Rating	Volatility	1 yr %	3 yr %	5 yr %	10yr %	15yr %
Mandate National	*****	CSB HI	8.96	8.03	7.39	7.43	7.81

- Annualized return on common shareholders' equity for the three (3) months ending September 30, 2006 was **9.75%** while return on preferred shareholders' equity was **9.0%**. This compares favourably to the highest one year return of bond and mortgage funds of 3.70%, G.I.C.'s of up to 4.10%, one year Canada Savings Bonds of 3.15%, six month B. C. Savings Bonds @ 3.85% or 90 day term deposits up to 3.90%.
- Provisions for losses totaled \$92,645.00 or 1.3% of the assets at September 30th compared to \$180,992.00 or 2.5% in 2005. This was the result of the payout of certain mortgages which had a higher provision for bad debts.