

MANDATE NATIONAL MORTGAGE CORPORATION

PRESIDENT'S REPORT

Net income for the three months ended December 31, 2008 decreased .08% to \$187,191 or \$.23 per share compared with \$188,716 or \$.24 per share for the same period in 2007. Revenue for the three months decreased 14.3% to \$234,021 from \$267,631 a year earlier.

Net income for the year increased 7.24% to \$754,203 from \$703,301. Year over year revenue increased 5.8% to \$967,655. At year end, the mortgage portfolio consisted primarily of residential first mortgages.

The outlook for the 2009 real estate market is expected to remain “soft and weak” as experienced during the second half of 2008. Property values were estimated to have declined up to 10% in the Lower Mainland in 2008. Management is planning for further declines in 2009. Accordingly, all new loan applications are underwritten based on current appraisals less 10% +/- . Exceptions may be considered where additional security is provided.

The Company's Offering Memorandum for the issuance of up to \$5.0 million of Redeemable Preferred shares remains open for sale to investors. This Offering will enable the Company to continue to grow its mortgage asset base thereby increasing revenues and net income for distribution to its shareholders via quarterly dividends. **As a consistent dividend stock, the Company and its predecessor have paid dividends every quarter since inception in 1983.**

FINANCIAL HIGHLIGHTS

- Return on common shareholders' equity for the three (3) months ending December 31, 2008 was **10.12%** while return on preferred shareholders equity was **9.40%**. Actual return for the twelve (12) months ending December 31, 2008 was **9.9%** for both common and preferred shares.
- Revenue increased for the year 2008 over 2007 due to an increase in fee income generated from mortgage syndications. Net income increased in keeping with the increase in Revenue. Operating expenses were equal to 22.0% of the gross revenue compared to 24.8% in 2007. Total assets increased in 2008 due to the sale of Preferred shares
- The weighted average interest rate on the portfolio was 11.30% at year end compared to 11.22% a year earlier.
- Loan loss provisions at year end were \$128,698 compared to \$116,511 a year earlier. The Company's policy is to provide an allowance of up to 1.0% of the total mortgage assets on a risk weighted basis.

M A N D A T E
National Mortgage Corporation

FOURTH QUARTER REPORT

DECEMBER 31, 2008

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CORPORATE PROFILE

Mandate National Mortgage Corporation is a Federally incorporated company which carries on business in British Columbia as a mortgage investment corporation for the purposes of the Income Tax Act (Canada). The Company has been carrying on business as a mortgage investment corporation, either itself or through its predecessor, Mandate Mortgage Investment Corporation since 1982.

The Company's business is to obtain a stable source of income by investing in a diverse portfolio of mortgages. The Company's primary source of income is derived from investments in residential and commercial mortgages, both fixed and floating rates. Such properties include single family dwellings, duplexes, townhouses, condominium units and apartment buildings. Mortgages cannot exceed 75% of the appraised value of the property. In the interest of prudent lending, management restricts its lending on condominium units to 65% of appraised value and generally restricts its lending to Greater Vancouver, Vancouver Island and the Okanagan Valley.

The Company qualifies as a mortgage investment corporation for the purposes of the Income Tax Act (Canada) and, consequently, subject to certain limitations set out in that Act, is entitled to employ leverage by issuing debt obligations up to a maximum of five times the cost amount of its assets in excess of its liabilities. As a mortgage investment corporation, the Company is entitled to deduct from income all dividends paid. The Company distributes its income by way of dividends on a quarterly basis and all of its net income and net realized capital gains annually. Consequently, it does not expect to incur any material liability for income tax.

AUDITOR

MacKay LLP, Chartered Accountants