

MANDATE NATIONAL MORTGAGE CORPORATION

PRESIDENT'S REPORT

Net income for the three months ended December 31, 2006 increased 1.0% to \$170,991 or \$.23 per share compared with \$169,143 or \$.22 per share for the same period in 2005. Net income for the year increased to \$643,240 from \$604,024.

Revenue for the three months increased 9.5% to \$225,877 from \$206,274 a year earlier. Year over year revenue increased 8.4% to \$855,711. At year end, the mortgage portfolio consisted primarily of residential first mortgages.

The outlook for 2007 continues to be cautiously promising for real estate values in B. C. given the low interest rate environment and strong provincial economy. Both of these factors should stimulate additional demand for property and mortgage funds in keeping with 2004 to 2006.

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, 2006 was **10.55%** while return on preferred shareholders equity was **9.73%**. Actual return for the twelve (12) months ending December 31, 2006 was **9.87%** for common shares and **9.10%** for preferred shares. This compares favourably to the average one year return of mortgage funds of 4.30%, G.I.C.'s of up to 4.50%, or 90 day term deposits up to 3.90%. The current one year rate on Canada Savings Bonds is 4.26%.
- The weighted average interest rate on the portfolio was 10.07% at year end compared to 9.25% a year earlier.
- Loan loss provisions at year end were \$95,804 compared to \$85,306 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.