ABORIGINAL FINANCIAL INSTITUTIONS PORTRAIT FISCAL 2011

NACCA

PREPARED BY: NACCA

CONTENTS

ABBREVIATIONS AND ACRONYMS USED IN THIS REPORT

AANDC	Aboriginal Affairs and Northern Development Canada
ABC	Aboriginal Business Canada
ABDC	Aboriginal Business Development Centre
ABDP	Aboriginal Business Development Program
ACC	Aboriginal Capital Corporation
ACFDC	Aboriginal Community Futures Development Corporation
ADL	Aboriginal Developmental Lending Institution – not capitalized by government
AE	Administrative Expenses
AFI	Aboriginal Financial Institution
AM	Account Manager
ATC	Access to Capital
AV	Average
BDC	Business Development Centre
BSO	Business Services Officer
COF	Cost of Funds
CR	Capitalization Rate
EA	Enhanced Access
FTE	Full Time Equivalent
GLP	Gross Loan Portfolio
GM	General Manager
IEDF	Indian Equity Development Fund
INAC	Indian and Northern Affairs Canada (now referred to as AANDC) see above
IRB	Interest Rate Buy-Down
LMS	Loan Management System
LR	Larger Region
LL	Loan Losses
LLR	Loan Loss Reserve
MFI	Micro Financial Institution
NACCA	National Aboriginal Capital Corporations Association
NACSI	National Aboriginal Contractors Support Incorporated
NEDP	Native Economic Development Program
PA	Performance-based-allocation
PAR	Portfolio-At-Risk
RA	Rolling Average
SR	Smaller Region
S&T	Support & Training
SME	Small to Medium Enterprise
TEA	The Exceptional Assistant

INTRODUCTION AND ACKNOWLEDGEMENTS

On behalf of the Board and membership of the National Aboriginal Capital Corporations Association (NACCA), I am pleased to present our annual Portrait of Aboriginal Financial Institution (AFI) operations. This report reviews the fiscal year 2010-2011.

AFI is a collective term encompassing Aboriginal Capital Corporations, Aboriginal controlled Community Futures Development Centres, privately capitalized Aboriginal Developmental Lenders and Aboriginal Business Development Centres.

Many AFIs were established in the late 1980s and early 1990s to respond to those financing challenges which had been experienced by the previous Indian Economic Development Fund initiative and which are still faced today by many conventional lending institutions. These challenges include Indian Act restrictions on security, collection difficulties, limited business management skills, remoteness from mainstream financial institutions, and risk tolerance limitations inherent in regulated conventional lending institutions.

AFIs are autonomous community-based organizations, which are supported by the Federal Government and play a gap-filling role by providing viable developmental (non-commercial) loans and related business and community support services to Aboriginal entrepreneurs and communities.

The purpose of this AFI Portrait is to provide stakeholders with an overview of the operations of the AFI network over the past year including: background information; a consolidated summary of AFI financial results; comparative statistical data; challenges confronting AFIs; and AFI perspectives on potential solutions to those challenges.

Over time, the Portrait has become a valuable resource tool for AFIs and many other key stakeholders. These stakeholders are taking an increasing interest in the growth of the Aboriginal economy and include: Aboriginal governments, leadership, and the business community; Federal, Provincial & Territorial Governments and elected officials; special interest groups including policy developers, economic development analysts, social interest groups, academia; financial organizations including banks, credit unions, venture capitalists and Aboriginal and mainstream trusts; and the Canadian public.

In this context, I would like to extend my sincere appreciation to Aboriginal Affairs and Northern Development Canada, the respective Regional Development Agencies and numerous Provincial and Territorial Governments, all of whom continue to support the operations of AFIs across the country.

Finally, I wish to express my sincere appreciation to every AFI, which has contributed documentation to enable the compilation of this 2011 AFI Portrait. Your assistance has enabled the Portrait to tell the impressive AFI success story with respect to your continuing contribution to the growing Aboriginal economy.

Lucy Pelletier

Chairperson, National Aboriginal Capital Corporations Association

SECTION I
2011 AFI ECONOMIC IMPACT

- $201.3 million - the total direct[1] AFI economic impact on the economy
  - $99.9 million via 1,307 loans
  - $40.1 million dollars leveraged
  - $34.9 million tangible operating expenses
  - $26.4 million flowed through AFIs in the form of government program and project dollars
- 3,939 full time equivalent jobs created\maintained
- 520 start-up business loans provided creating an average of 2.46[2] full time equivalent (FTE) jobs per AFI start-up loan
- 687 expansion loans provided to existing businesses creating/maintaining an average of 4.46[3] FTE jobs per AFI expansion loan
- 15,000 FTE jobs are estimated to be supported by the consolidated AFI portfolio on an ongoing basis
- 3,100 small businesses are estimated to be supported by AFIs – the average number of loans per AFI borrower 1.2

2011 AFI Portfolio Management

- 3,980 loans in the consolidated AFI gross loan portfolio
- $238.3M[4] in loans comprise the consolidated AFI GLP
- 6.42% is the average interest yield on the AFI GLP
- 83% of the AFI GLP is up to date
  - 2% of GLP is contractually delinquent 1-30 days
  - 2% of GLP is contractually delinquent 31-60 days
  - 1% of GLP is contractually delinquent 61-90 days
- 12%[5] of GLP is contractually delinquent over 90 days
- 15.0% of the GLP is estimated to be Portfolio-At-Risk[6] and over 90 days contractually delinquent
- 13.3% of the consolidated GLP has been set aside as a loan loss reserve
- 40 AFIs accessed Support and Training programming in 2010-11 enhancing AFI capacity
- AFI Board ratings with respect to the AFI Board Training course averaged 9.4 out of a possible 10
- a comprehensive Business Services Officer guide was developed by AFIs and delivered electronically to AFI GMs and BSOs

1 This does not include the economic impact created by AFI client borrower businesses.
2 Each part-time and seasonal job was counted as 0.4 full time job equivalents (FTEs).
3 Each part-time and seasonal job was counted as 0.4 full time job equivalents (FTEs).
4 The assets, liabilities and loan activities of AMCC, BBCDS and KLGF were not included in 2011 results due to apparent loan inactivity for some years.
5 85% of active lending AFIs provided contractual aging summaries in dollars of loans.
6 This includes over 90-day loans and estimated restructured loans.

2011 AFI Liquidity

- $255 million contributed, repayable and private AFI loan capital sourced by AFIs
- $238 million consolidated AFI gross loan portfolio (GLP)
- 21% of active lending AFIs (11) now have liquidity levels of 15% or less in relation to their GLP

2011 AFI Profitability

- $8.1M consolidated AFI profit after loan loss provisions
  - ($623k) consolidated Aboriginal Community Futures Development Corporation (ACFDC) loss after loan loss provisions
  - $8.3m consolidated Aboriginal Developmental Lender (ADL) profit after loan loss provisions
  - $353k consolidated Aboriginal Capital Corporation (ACC) profit after loan loss provisions
- 44% of AFIs recorded a profit
  - 48% of ACFDCs were profitable
  - 40% of ADLs were profitable
  - 46% of ACCs were profitable
- $6,465 average expense incurred per AFI loan

Emerging Trends

The following observations may be indicative of emerging trends:

- despite a fragile economy annual loan volumes have remained in the $100 million range in each of the last three years indicating support to developing Aboriginal businesses is being sustained
- loan portfolio delinquency decreased in 2011 - may indicate improved risk management results, a movement lower down on the risk scale, or a combination of both
- the collective loan loss reserve has exceeded the value of over 90 day contractual arrears for each of the past three years - may indicate improved risk management results, a movement lower down on the risk scale, or a combination of both
- in the past three years collective contributed and private loan capital has been more than the collective GLP - may indicate improved risk management results, a movement lower down on the risk scale, or a combination of both
- average loan disbursements have increased year over year in each of the last five years with the exception of 2011 – may be the result of a cognizant effort to decrease risk management costs

SECTION II EXECUTIVE SUMMARY

Background[7]

Aboriginal Financial Institution (AFI) is a collective term encompassing Aboriginal Capital Corporations (ACCs), Aboriginal controlled[8] Community Futures Development Centres (CFDCs), Business Development Centres (BDCs), privately capitalized Aboriginal Developmental Lenders (ADLs) and an Aboriginal Business Development Centre (ABDC).

The AFI forerunner was the Indian Economic Development Fund (IEDF). IEDF authorities date from the early 1970s. Essentially IEDF introduced the concept of repayable loans in lieu of grants. Loan losses incurred by IEDF reportedly averaged 25%. IEDF loans wound down with the creation of the Native Economic Development Program (NEDP) in the 1980's and closed in areas served by ACCs as they came on stream in the mid-1980s. In its last year of operation IEDF reportedly provided loans totalling $6 million.

The concept of ***Aboriginal ownership and control of AFIs was an innovative strategic step under NEDP; a step now regarded by many as the corner stone for AFI success.*** AFIs were created in the latter 1980s and 1990s specifically to improve access to capital for Aboriginal people and provide required business support services to Aboriginal entrepreneurs. AFIs were designed, structured and mandated to overcome many of the challenges encountered by IEDF and conventional lending institutions i.e. collection difficulties, Indian Act restrictions, limited business management skills, remoteness from mainstream financial institutions and risk tolerance levels necessarily inherent to regulated conventional lending institutions.

In 1989 Aboriginal Business Canada (ABC) attempted to forge a national network of ACCs. ACCs rejected the attempt, as it was largely perceived as an effort to extinguish individual ACC autonomy. In 1997 as a result of ABC's attempt to have ACCs report to Business Development Canada, twenty-two ACCs privately formed a member owned association on their own, the National Aboriginal Capital Corporations Association (NACCA). In 1999 NACCA membership was opened to all AFIs. Within three years NACCA membership had grown to and remains at 50+ AFIs. The NACCA Board is comprised of directors elected by NACCA member AFIs resident in each of the Provinces and Territories. The total number of AFIs now operating in Canada is sixty (29 ACCs, 25 ACFDCs, 5 ADLs and 1 ABDC). The ABDC provides a business development support service however does not provide loans. A further six AFIs appear relatively inactive in terms of reported lending activity. Consequently there are 53 AFIs actively engaged in the provision of developmental loans to Aboriginal small business market. A total of 46 AFIs provided their most recent fiscal yearend audited financial statements for this report, 42 of which also provided supplemental data e.g. number and $ value of loans provided, number of full time equivalent jobs created etc.

7 A concise chronological AFI history is available from NACCA.

8 For the purposes of this report Aboriginal controlled means "the majority of the AFI board members are Aboriginal persons).

AFI Successes

The NEDP sought to address economic disparities between Aboriginal peoples and other Canadians at an estimated cost of $1 billion for the first five years. Since implementation of NEDP the Federal Government invested $232 million in AFI loan capital. The investment is comprised of both contributions and repayable loans. Concomitantly AFIs provided over 36,000 loans totaling nearly $1.6 billion[9]. Over the course of the past ten years (from 2002 to 2011) AFIs disbursed $860 million in loans growing the AFI GLP by 29% from $184 million to $238 million.[10] If this growth rate is duplicated over the next 10 years the AFI GLP will reach $307 million in 2021. Loan losses have been held to 6.2%. A 2003 third party study based on Revenue Canada filings revealed the five-year success rate of AFI supported businesses was 58% versus a Canadian norm of 33%. AFIs also appear to be a cost efficient job creation support mechanism. A 2010 NACCA study[11] revealed a cost to government of $12,479 per job created\maintained. A two-year average indicates 3.50 full time equivalent jobs are produced\maintained for each new AFI loan advance to a start-up and expansion business.

2011 AFI Performance Measure Results

In 2007-08 AANDC developed a set of benchmarked weighted performance measures based on input provided by a contracted chartered accountant. A 200-point weighting scale was utilized to measure performance results, which are defined as follows:

an achievement of 85% or higher of benchmark	"A"	Upper Tier
an achievement of 70% to 84.99% of benchmark	"B"	Above Mid-Tier
an achievement of 60% to 69.99% of benchmark	"C"	Mid-Tier
an achievement of 50% to 59.99% of benchmark	"D"	Below Mid-Tier
an achievement of less than 50% of benchmark	"d"	Lower Tier

The four categories measured are Portfolio Management with 5 measures and a weight of 90, Activity with 3 measures and a weight of 55, Liquidity with one measure and a weight of 25, and Profitability with 3 measures and a weight of 30. The 2011 average of AANDC performance measures scores for AFIs was 129.14 out of 200. The average ranking was "C" Mid-Tier. Overall results were:

Ranking	A	B	C	D	Total
Number of AFIs	2	15	15	14	46
Percentage of total AFIs	4%	33%	33%	30%	100%

AFI GMS felt AFIs would benefit more from the perspective of a performance measurement management tool by using a more comprehensive set of benchmarked performance measures closer to ground level. The AFI GM working group used all of the AANDC performance measures, added to them, chose five year rolling averages as benchmarks, used a 200 point weighted scale, and the same achievement definitions. The four categories measured were: Portfolio Risk Management with 9 measures weighted at 65, Loan Capital Utilization with 6 measures weighted at 50, Economic Impact with 5 measures weighted at 55, and Self-sufficiency with 5 measures weighted at 30. The 2011 average of GM performance measures scores was 137.26 out of 200. The average ranking was "C" Mid-Tier. Results were as follows:

Ranking	A	B	C	D	Total
Number of AFIs	6	14	16	10	46
Percentage of total AFIs	13%	30%	35%	22%	100%

Note: Since the introduction of performance measures and annual NACCA distribution of performance measure results to AFIs notable improvements have occurred, particularly with respect to contractual delinquency levels which have fallen 8% (from 26% to 18%) over the last four years.

9 This includes ACDF loans.

10 This is inclusive of a loan loss reserve of $36,807,799 or 15% of GLP.

11 The full text of the "AFI Job Creation\Maintenance Cost Efficiencies" analysis is available from NACCA. Additional data received subsequent to the release of the study marginally reduced the cost per job.

AFI Network Future Plans

The AFI network has developed four strategic pillars believed to be essential for sustained AFI economic impact:

1. Broadening access to sustainable lending
2. Diversifying the AFI capital base
3. Growing capacity through professionalism and self-regulation
4. Expanding client services to meet critical emerging needs

The four strategic pillars and related initiatives will be addressed through two complementary, parallel streams of activity:

1. ***Joint AANDC-NACCA Program Renovation design and implementation initiatives*** to be undertaken during Fiscal Years 2012 and 2013. These initiatives will be led by joint Working Groups comprised of AFI General Managers (GMs) who will be supported by a NACCA coordinator and AANDC staff. Working Groups will report to a joint AAND-NACCA Steering Committee, which will be supported by an Advisory Committee comprised of experienced Aboriginal representatives.
2. ***NACCA-led development initiatives*** in support of broadening the NACCA vision will be undertaken during Fiscal Years 2012 - 2014. These initiatives will be led by Working Groups comprising AFI GMs and/or NACCA staff with AAND staff participation where appropriate and available.

   Greater detail with respect to the four strategic pillars is provided in Section III the AFI Network - pages 14 through 16 inclusive.

SECTION III
THE AFI NETWORK

The AFI Network Association

This section endeavours to provide a concise picture of the AFI network on a consolidated basis.

NACCA membership is comprised of 54 AFIs from all regions of Canada. Members provide in the range of $150,000 annually in the form of membership fees. Combined with $600,000+ funding from AANDC, NACCA is able to pursue solutions to common AFI problems on behalf of its members.

National AFI common interests are broadly expressed in the AFI Network's (ergo NACCA's) vision and mission statements. ***VISION**: **The National Aboriginal Capital Corporations Association is a leading Canada-wide network of Aboriginal financial institutions that facilitates commercial financing and effective partnerships to grow diverse and resilient Aboriginal economies; MISSION: To grow capacity of Aboriginal financial institutions across Canada by supporting Aboriginal business development, promoting the economic viability of Aboriginal communities, and expanding partnerships with Government and industry.***

AFI Network Comparable

No relevant non- Aboriginal developmental lender comparable statistics appear available. From a global perspective the Micro Financial Institutions (MFIs) appear to be the closest comparable financial institutions. However, MFIs tend to operate predominately in densely populated third world countries. Consequently MFI results do not therefore provide a meaningful comparison to Canada's AFIs, which operate in vast sparsely populated geographic regions in the second largest country in the world.

As noted earlier the AFI precursor was the Indian Economic Development Fund (IEDF). Essentially IEDF introduced the concept of repayable loans in lieu of grants. Loan losses incurred by IEDF reportedly averaged 25%.

As of March 31, 2011 an estimated 3,100+ Aboriginal businesses in all Provinces and Territories are supported by 3,980 AFI loans aggregating $238 million. Since inception AFIs have provided more than 36,000 loans totalling nearly $1.6 billion. Repayment of AFI loans has surpassed the $1.2 billion mark. The average AFI repayment efficiency[12] rate is 93.6%[13].

AFIs deliver a complex array of Aboriginal business and community development products and support services, inclusive of small business loans to all economic sectors. ***The AFI network provided direct employment for 289 people in 2011 (337 in 2009-10).*** The Network is comprised of 60[14] AFIs, 53 of which are actively engaged in the provision of developmental loans.

AFIs are domiciled as follows:

YK	NWT	NU	BC	AB	Sask	Man	Ontario	PQ	Atlantic
1	8*[15]	4**	12**	5	6	10**	8	5*	1

The 2011 AFI Portrait draws on audited financial statement data of 46 (87%) of the 53[16] active lending AFIs.

AFI Network Lending

For the third consecutive year annual AFI loan disbursements reached the $100 million range.

ANNUAL LOANS IN DOLLARS

520 new loans totaling $21.3 million were provided to start-up businesses in 2011
687 new loans totaling $72.6 million were provided to existing businesses to expand or modernize in 2011
An estimated 100 loans totaling $6.0 million were restructured in 2011 to better match cash flow or improve security

12 The gross loan portfolio is not contemplated in calculation.

13 This is based only on actual loans advanced and actual write offs incurred to date.

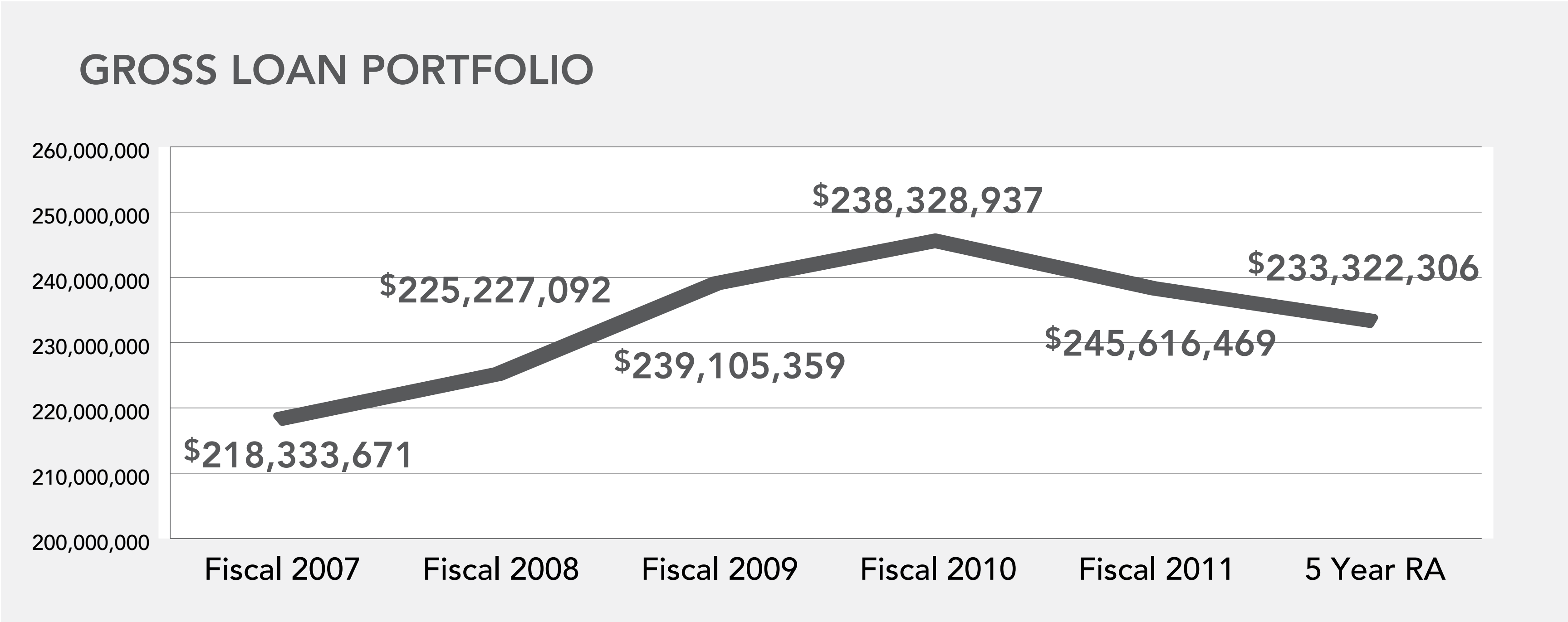
14 The total number of AFIs is sixty. One of the AFIs does not provide loans and a further six are deemed relatively inactive in terms of lending activity.

15 depicts one AFI not included as one of the 53 active lending AFIs.

16 6 of the 53 lending AFIs did not provide requested data – please refer to appendix I for further detail.

AFI Network Consolidated Loan Portfolio

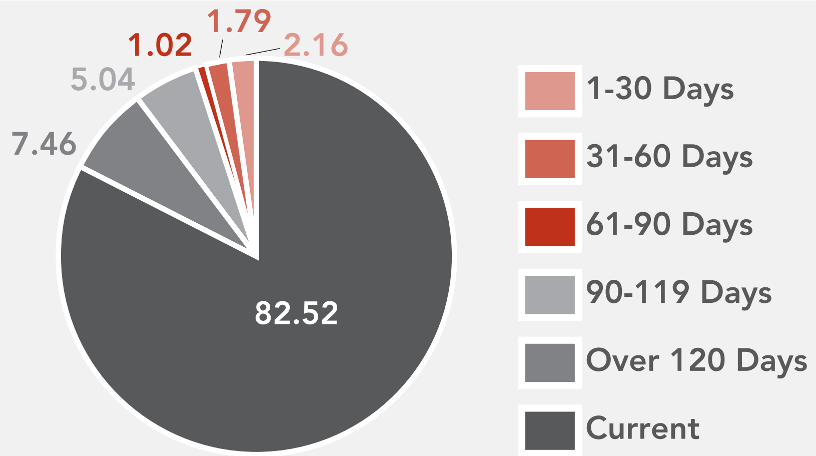
The collective AFI GLP as of March 31, 2011 was comprised of 3,980 loans aggregating $238 million[17] reflecting a $54 million or 29% GLP increase over the ten-year period from 2002 to 2011.



17 Last known GLPs of AMCC $5.7M, BBCDS $3.4M, DACF $207k and KA $73k not included in 2011 total GLP as they have not reported for some time.

42 of the 53 active lending AFIs provided aged loan portfolio data for 2011. The portion of the GLP reported as up-to-date in 2010 was 79.94%. The consolidated 2011 AFI contractual delinquency picture is reflected in the pie chart below.

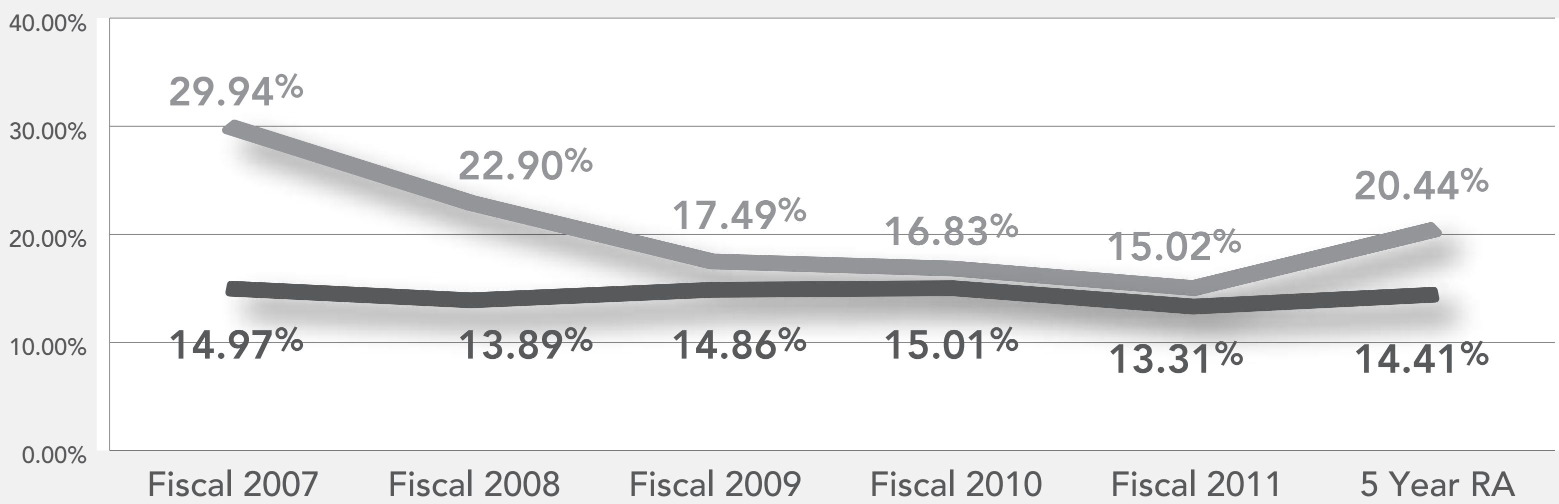
CONTRACTUAL DELINQUENCY



The realizable security value supporting AFI loans is arguable; however on a consolidated basis it would appear the loan loss reserve position is marginally less than the Portfolio-At-Risk.

LOAN LOSS RESERVE

Portfolio-At- Risk restated 2008:2012 to include estimated restructurings



Government loan capital provided to AFIs to date is $232 million. ***Total loan capital currently available for AFI loans is $255 million[18] including $15million private capital, $20 million Provincial or Territorial capital, Enhanced Access Capital programming capital and capital raised through Interest Rate Buy-down (IRB) programming.***

18 The 2011 total excludes $6.7 million which was provided to AMCC and BBCDS and appears to have been essentially inactive for a number of years.

Four strategic pillars are central to the AFI network's future:

1. Broadening access to sustainable lending

This pillar focuses on ensuring the financial sustainability of AFIs engaging in pre-commercial, developmental lending to a geographically dispersed clientele despite the challenges of higher operational, lending and capital costs, and the provision of associated advisory and support services required. This pillar requires the following initiatives:

- the establishment of a Performance-based Allocation program to offset the AFI lending cost shortfall
- restructuring Capital Top-Up programming

2. Diversifying the AFI capital base

This pillar recognizes that there is a need to secure additional loan capital on an on-going basis to service the growing demand from Aboriginal small and medium-sized enterprises (SMEs). This pillar requires the following initiatives:

- putting Aboriginal and commercial capital to work by utilizing Bonds, debentures or other innovative financial instruments
- enhancing the Interest Rate Buy-Down (IRB) element of the Access To Capital (ATC) program
- refining the Loan Loss Reserve approach
- developing AFI approaches to bonding and debentures
- structuring syndication frameworks
- developing methodologies for liquidity pools

3. Growing capacity through professionalism and self-regulation

This pillar is intended to further the AFIs' strategic focus on sound operating standards and building an AFI version of a "credit union central" capacity within the AFI\NACCA network. This pillar requires the following initiatives:

- enhancing the Support and Training (S&T) element of the Access to Capital (ATC) program
- restructuring governance of the ATC program
- developing a comprehensive performance measurement framework
- enhancing the scope of custom training
- establishing a best practice for AFI Governance
- enhancing The Exceptional Assistant (TEA) and Loan Management Systems (LMS) used by AFIs
- developing an Enhanced NACCA Personnel Policy Manual
- developing a pre- and post-care Business Services Officer (BSO) Manual (completed 2011)
- establishing a structured database for Best Practices and Critical Standards
- continuing development of a credit union central type capacity for AFIs

4. Expanding client services to critical emerging capital needs

This pillar focuses on ensuring that AFIs provide their clients with the widest possible range of products and services required for their changing needs consistent with maintaining the financial viability of AFIs. This pillar requires the following initiatives:

- increasing AFI participation in Alternate Service Delivery
- expanding the Enhanced Access (EA) element of the Access to Capital (ATC) program
- expanding full Business Services Officer (BSO) service programming to all AFIs
- developing a comprehensive Aboriginal Youth Business Program
- launching the pilot National Aboriginal Contractors Support Incorporation (NACSI) bid and performance bonding service

The four strategic pillars and related initiatives will be addressed through two complementary, parallel activity streams:

1. ***Joint AANDC-NACCA Program Renovation design and implementation initiatives*** to be undertaken during Fiscal Years 2012 and 2013. These initiatives will be led by Joint Working Groups comprising AFI General Managers (GMs) supported by a NACCA coordinator and AANDC staff. Working Groups will report to a joint AANDC-NACCA Steering Committee, which will be supported by an Advisory Committee comprised of experienced Aboriginal representatives.
2. ***NACCA-led development initiatives*** in support of broadening the NACCA vision will be undertaken during Fiscal Years 2012 -- 2014. These initiatives will be led by Working Groups comprising AFI GMs and/or NACCA staff with AANDC staff participation where appropriate and available.

The growing inclusiveness of NACCA is a particularly important achievement with all heritage groups now being represented as well as 54 of 60 AFIs. The increasing professionalism of the membership is clearly being reflected in enhanced operating standards, improved financial performance, continuing portfolio growth, and stronger client success rates than those experienced by mainstream SMEs. NACCA's National Office continues to build its skills and capacity, while progressively providing broader and more effective capacity-building support services to the membership.

AFIs are encouraged by AANDC's increased focus on Aboriginal Economic Development issues as expressed in the new Federal Framework and the subsequent engagement sessions. AFIs also believe, despite some significant concerns about the methodology employed, that the reports on the parallel reviews of the AFIs, NACCA and ATC Program can also provide some useful insights for moving forward with program development.

With AANDC's active engagement, and the involvement of a wide range of knowledgeable Aboriginal and Government strategic partners, the Program Renovation initiative should finally provide a substantive opportunity to establish programming which offsets the risk and cost of development lending, and provides more comprehensive AFI financial and management support services for business clients.

In conclusion, NACCA continues to make significant progress, particularly in areas such as

- Enhancing diagnostics,
- Improving AFI performance monitoring and analytical functions,
- Identifying critical product and service requirements and initiatives,
- Growing networks and advocating AFI needs to Government strategic partners, and
- Developing policies, procedures and informatics systems.

However, while there is some promising policy development successes in developing and implementing the Program Renovation components and elements of the AFI network strategic plan, and particularly resolution of the critical AFI business model deficiencies, required changes will be heavily dependent on significant AANDC support. These challenges will place enormous demand on the AFI association's collective skills and resources, particularly during Fiscal Years 2012 and 2013.

The 2012 - 2014 NACCA Strategic Plan is a key tool for the NACCA network of AFIs in terms of establishing consensus on how to approach these issues. Our plan describes NACCA's corporate direction, strategic pillars, initiatives, and outlines a coordinated approach to implementation and scheduling. Through periodic review, the NACCA Board of Directors, Management and AFI members will monitor the implementation of the strategic plan.

SECTION IV
2011 KEY AFI STATISTICS AND OPERATING RESULTS/ IMPACTS

The purpose of this section is to document collective and average AFI activity results as of March 31, 2011 providing AFI General Managers/Boards, essential statistics for comparative performance purposes.

Qualifications

Wherever possible, data is extracted from audited AFI financial statements[19]. In some cases audited financial statements do not indicate:

- the number and/or dollars of loans advanced during the year;
- the number of loans in the loan portfolio at year-end; or
- the total number and/or dollars of loans written off during the year.

Supplemental data pertaining to new loan advances, loan write-offs, portfolio aging, leverage, employment creation\maintenance and staffing is provided directly by AFIs.

The following is also noted:

- AFIs do not utilize identical revenue and expense category terms\phrases. Some discretion is necessary to consolidate results;
- One of the 53 active lending AFIs provides resupply credit lines to Aboriginal owned and controlled co-ops North of 60;
- 46 (87%) of active developmental lending AFI audited AFI financial statements were consolidated to produce this report; and
- The vast majority of AFI year-ends occur March 31st. However, 7 AFIs have a fiscal yearend other than March 31st. The most recent year end data on hand for these 7 AFIs were used to compile collective 2011 results. It was assumed they would closely replicate their most recent year-end results again 2011.

19 Please refer to appendix "I" for a detailed list of AFIs that provided audited financial statements and supplemental data for the 2011 AFI Portrait.

Smaller Region (SR) and Larger Region (LR) AFIs

The greatest degree of cohesion emerges among AFIs when they are clustered into geographical sizes.[20] Consequently tables and charts as well as dialogue within this section may reflect data in SR and LR AFI categories and where deemed useful, by SR profitable and SR unprofitable, and/or LR profitable and LR unprofitable categories. Refer to appendices "A" through "G" for details pertaining to SR and LR AFIs and key data for average SR and average LR profitable and unprofitable results.

AFI Management and Oversight

Governance

AFI Boards are predominately comprised of Aboriginal people from the regions served by the AFI. In some cases outside directors possessing specialized acumen are recruited to sit on the AFI Board.

Operational Management and Staff

Many AFIs combine Account Manager (AM) and Business Support Officer (BSO) functions in light of financial constraints brought about by the prevailing AFI business model. Similarly, many AFI Loan Support staff duties are intermingled due to financial constraints. As of March 31, 2011 AFIs directly employed a collective staff of 289 representing a 14% reduction from 337 in 2010 and a 16% reduction from 346 in 2009.

A 2006 NACCA survey revealed the average experience levels for AFI management positions were:

20 Aboriginal Business Canada determined some years ago that Larger Region AFIs would be defined as only those serving an entire Province or Territory with the exception of Ohwistha Capital Corporation, which serves a large portion of Ontario. Appendix "I" details the Smaller Region and Larger Region AFIs.

- General Managers 9 years;
- Account Managers 6 years; and
- Business Service Officers 7 years.

The survey also confirmed 67% of all AFI employees were Aboriginal; 57% of senior managers; 78% of support managers and 71% of support staff.

Liquidity

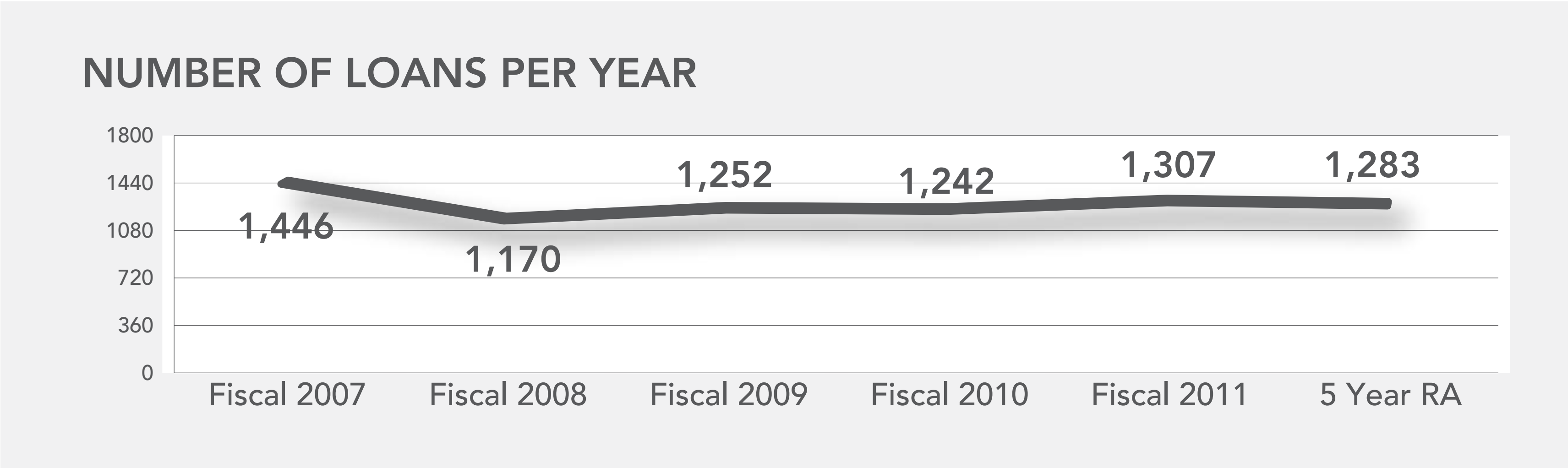
The AANDC predecessor, Aboriginal Business Canada (ABC) determined some years ago that AFIs require a minimum liquidity of 15% of the gross loan portfolio to meet demand. Considering annual new loan volumes, the prevailing repayment efficiency rate, as well as a loan portfolio turnover rate of approximately four years, liquidity at the 15% level would appear to cover six months of demand. Including private capital as of March 31, 2011, 11 of 53, or 21% of AFIs had loan capital liquidity levels of less than 15%.

2011 AFI Loan Statistics

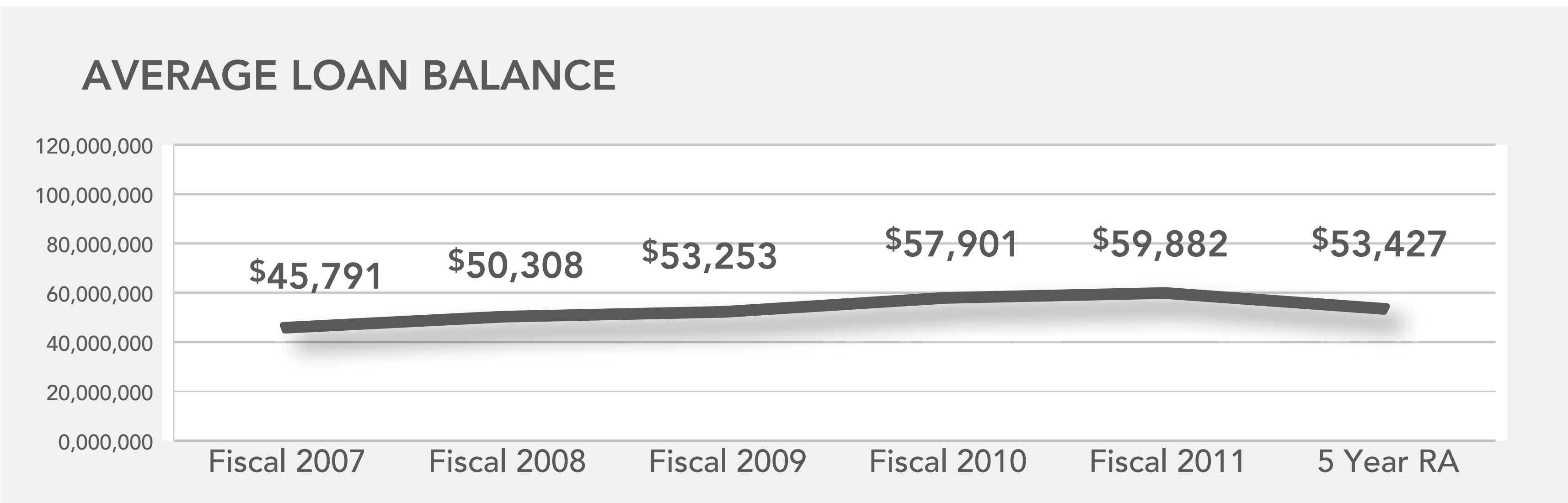
In fiscal 2011 AFIs wrote a total of 1,307 loans aggregating $99.9 million. It is estimated a total of 1,207 new dollar loan aggregating $93.9 million were provided while 100 loans aggregating $6.0 million were restructured to better match repayment terms with cash flows generated by borrower businesses. A reported 520 loans or 45% aggregating $21.3 million were provided to start-up businesses. A total of 687 new loan advances or 55% aggregating $72.6 million were provided to existing businesses to expand or modernize. A summary of average Smaller Region (SR) and Larger Region (LR) AFI new loan advance activity is reflected in the following table.

	Average of SR AFIs				Average of LR AFIs			
New Dollar Advances Only	#	% by #	$	% by $	#	% by #	$	% by $
Total Loans to start ups in year	7	41%	$264,215	33%	16	47%	$651202	36%
Total Loans to existing businesses in year	10	59%	$530,392	67%	18	53%	$1,179,377	64%
Totals	17	100%	$794,607	100%	34	100%	$1,830,579	100%

AFIs have provided an average of nearly 1,300 loans per year for the last five years.



The average AFI loan balance has consistently increased year over year as AFIs strive for cost efficiencies. The graph immediately below reflects average loan balance outstanding changes over the most recent five-year period, as well as the five year rolling average.



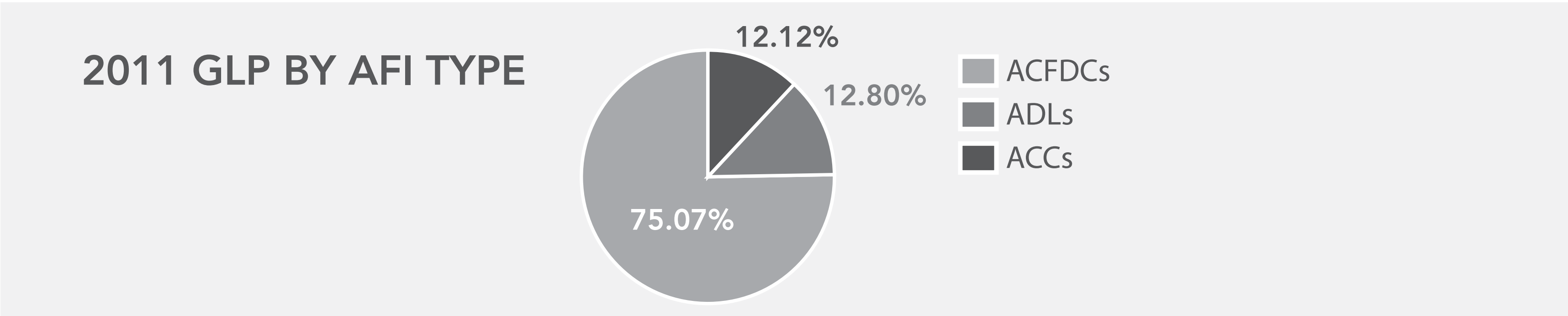
The increasing average balance may relate to escalating equipment costs or loan portfolio cost efficiencies. Contractual delinquency levels have improved in recent years. Loan loss reserves appear adequate. AFIs are either improving risk mitigation and management practices, or taking less risk, in order to improve bottom line results.

Over the past five years total annual loan disbursements have ranged between $83 million and $100 million. The five year rolling average has increased to $94 million. In terms of loan capital held, the average ACC has $7 million, the average ACFDC has $2 million and the average ADL has $5 million. In terms of dollars of loans provided in fiscal 2010-11, ACCs provided 81% of total AFI loans followed by ACFDCs at 10% and ADLs at 9%.

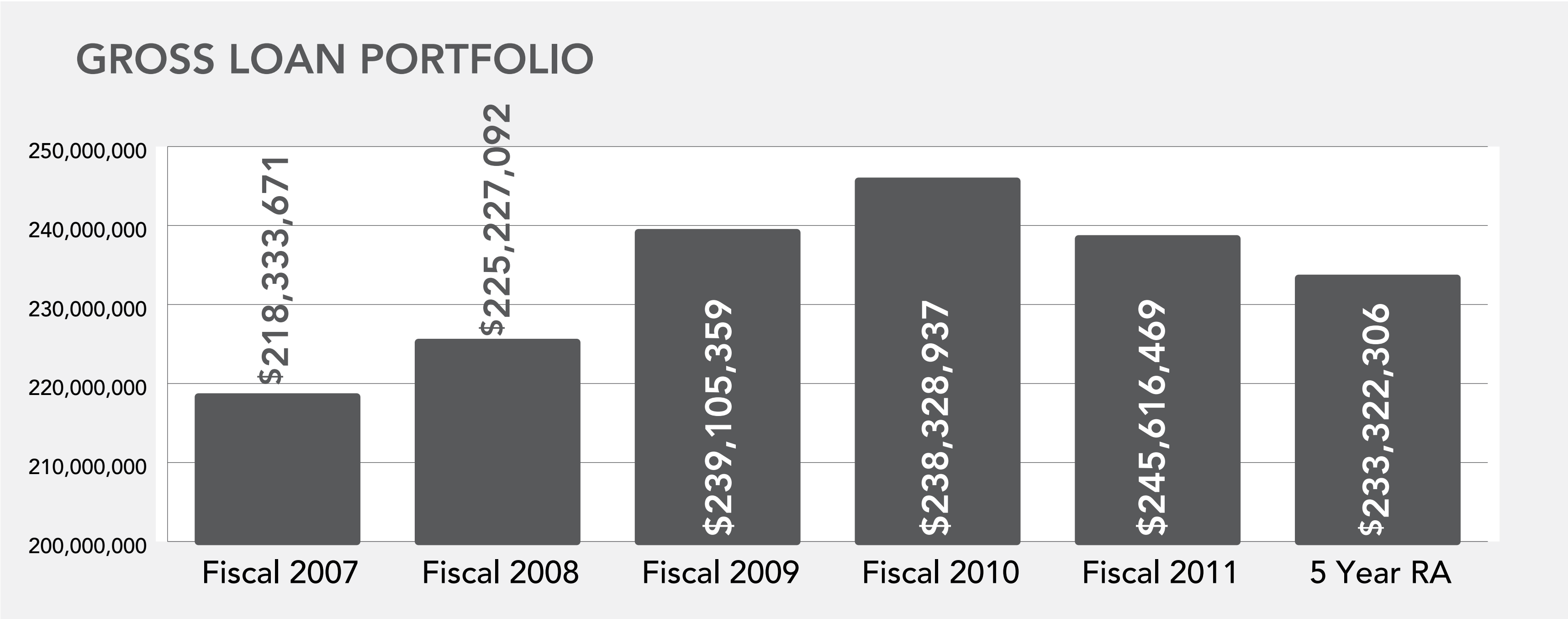
Gross Loan Portfolio

ACFDCs receive an average of $394k in operational financial support each year. As a result ACFDCs are required to provide a vast array of support services to the clients and communities they serve. ACCs and ADLs do not receive operational financial support.

The pie chart below depicts the consolidated AFI GLP by AFI type.



The consolidated AFI Gross Loan Portfolio[21] has grown consistently over the past five years.

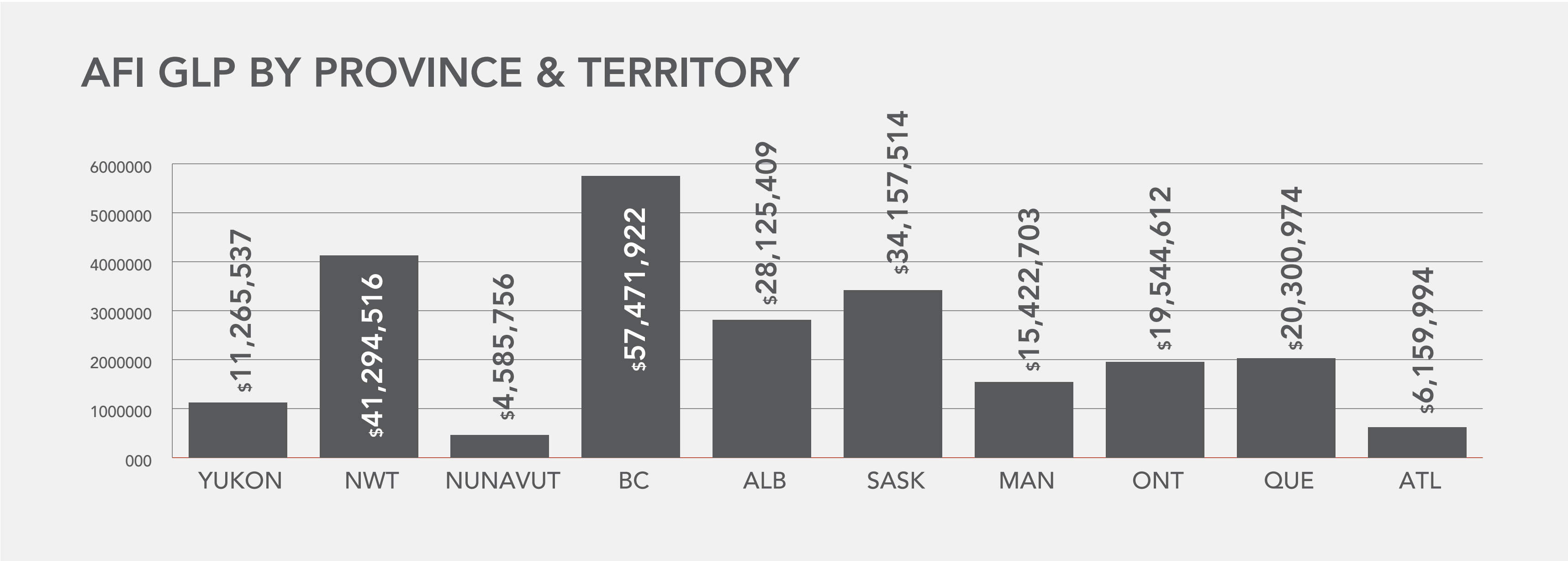


The 2008 global financial crisis resulted in an apparent tightening of conventional credit. Conversely, there was a coinciding uptick for AFI loans. In 2011, if the $6.6 million in inactive AFI is added back in, the GLP remains essentially flat in 2010 and 2011.

21 The last known GLPs aggregating $6.6 million for the six inactive lending AFIs are not reflected in the 2011 GLP total.

2011 Gross Loan Portfolio by Province & Territory

The chart immediately below reflects the 2011 Provincial/Territorial distribution of the gross loan portfolio[22].



Provincial/Territorial distribution of AFIs and related per capita loan distribution is shown in the chart below.

	Yukon	NWT	NU	BC	Alberta	Sask	Man	Ont	Quebec	Atlantic	Totals
AFIs[23]	1	7	2	10	5	6	8	8	4	1	52
Aboriginal population[24]	7,580	20,635	24,915	196,070	188,365	141,890	175,395	242,490	108,425	67,010	1,172,775
Average $ of loans per capita	1,486	2,001	184	293	149	240	88	81	187	92	203

22 One AFI with its Head Office in the NWT has substantial loans in Nunavut. However, all of its loans are reflected in the above chart as being in the NWT.

23 This refers to the 53 active lending AFIs.

24 Source Statistics Canada 2006 census – Aboriginal identity population

Repayment Efficiency by Province & Territory

Repayment efficiency is measured since inception of AFIs i.e. total historical loans provided, minus write offs, divided by the historical loan total.

	Yukon	NWT	NU	BC	Alberta	Sask	Man	Ont	Quebec	Atlantic
Repayment Efficiency with GLP[26]	93%	99%	94%	93%	92%	93%	91%	87%	95%	83%

2011 Average Smaller Region (SR) and Larger Region (LR) AFI Financial Results[25]

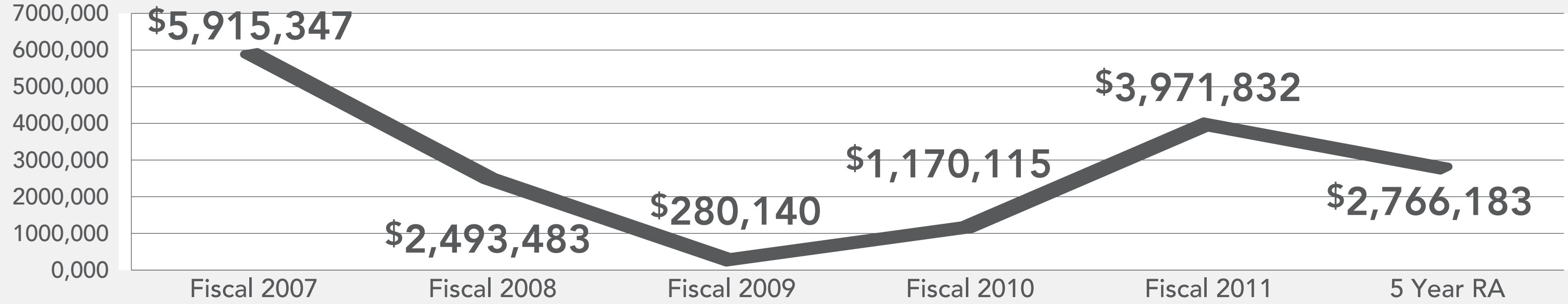
Five year audited statement results were consolidated and categorized below into profitable and unprofitable SR and LR AFIs.

Fiscal Year	All SR AFIs	All LR AFIs	% SR AFIs Profitable	% SR AFIs Unprofitable	% LR AFIs Profitable	% LR AFIs Unprofitable
2007 $ profit (loss)	5,802,082	(93,683)	52%	48%	50%	50%
2008 $ profit (loss)	1,172,665	(1,544,177)	50%	50%	61%	39%
2009 $ profit (loss)	280,140	1,754,400	47%	53%	47%	53%
2010 $ profit (loss)	1,170,115	1,733,148	54%	46%	74%	26%
2011 $ profit (loss)	3,971,832	4,116,635	50%	50%	42%	58%
5 year average	2,479,366	1,193,264	51%	49%	55%	45%

25 Rational for providing certain SR and LR profitable and unprofitable results is provided on page 15 (first paragraph).

Collectively Smaller Region AFIs have been profitable in each of the last five years. ***82% of SR AFIs received formula driven operational subsidies totalling $10.2 million in 2011 from Regional Agencies and Territorial governments[26].*** Consequently the majority of Smaller Region AFIs are not as dependent upon self-generated revenue as Larger Region AFIs.

SMALLER REGION AFI PROFITABILITY



As noted previously ACCs must rely on self-generated revenue to achieve profitability. In the absence of a resolution to the long-standing ACC model deficiencies (refer "The ACC Model" page 27) it is becoming increasingly common for ACCs to engage in a range of business opportunities to subsidize developmental lending costs.

LARGER REGION AFI PROFITABILITY TREND

26 BLNDC, CDEM, NFA, NEFI, TACC and TRICORP do not receive operational subsidies.

2011 Revenue Summary

Fiscal 2011 revenues have been itemized in the table below and reflected as a percentage of respective gross loan portfolios.

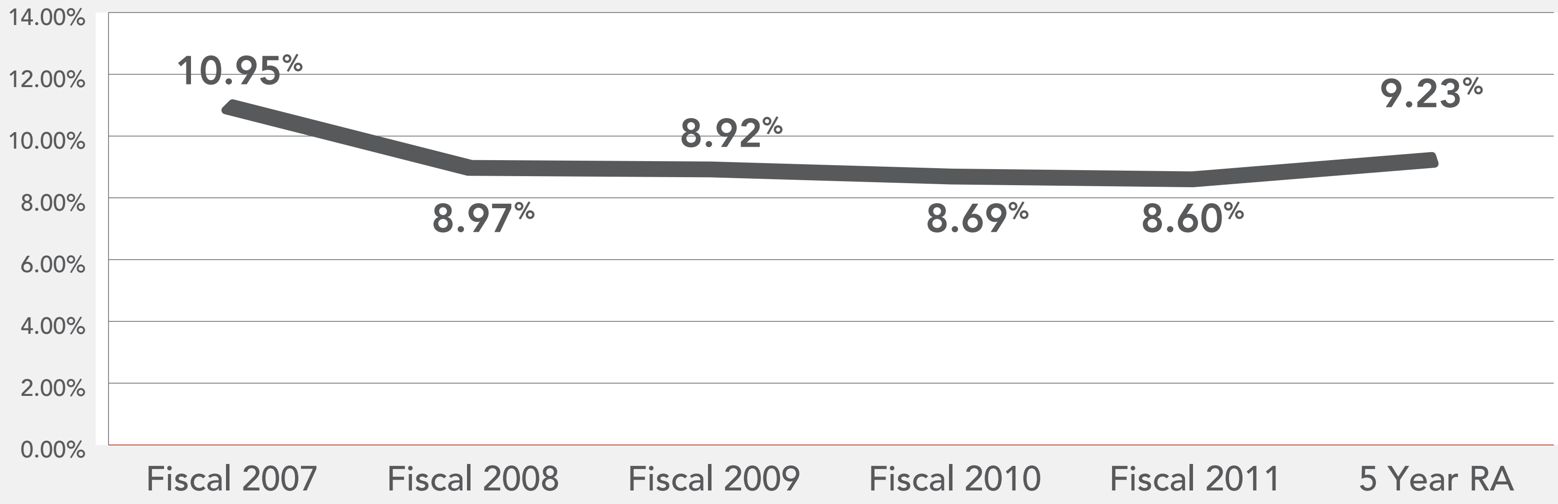
	Average Unprofitable SR AFI		Average Profitable SR AFI		Average Unprofitable LR AFI		Average Profitable LR AFI	
Assets	**4,066,553**		**5,817,406**		**10,596,915**		**16,226,608**	
Loans advanced during year	**704,129**		**933,376**		**4,847,949**		**2,294,561**	
Gross Loan Portfolio	**2,594,601**		**3,086,911**		**8,194,869**		**6,402,475**	
Revenues		**% GLP**		**% GLP**		**% GLP**		**% GLP**
Net Interest - loans	92,324	3.56%	187,922	6.09%	616,288	7.52%	374,297	5.85%
Bad debt recoveries	12,330	0.48%	25,938	0.84%	25,881	0.32%	11,730	0.18%
Interest on deposits	36,956	1.42%	19,057	0.62%	15,326	0.19%	93,007	1.45%
Fee and misc. income	54,615	2.10%	61,102	1.98%	124,199	1.52%	227,976	3.56%
Subtotal self-generated loan portfolio related income	***196,225***	***7.56%***	***294,019***	***9.53%***	***781,694***	***9.55%***	***707,010***	***11.04%***
Secondary Income								
Operating subsidies	349,041	13.45%	250,134	8.10%	74,089	0.90%	66,992	1.05%
Program revenue	635,255	24.48%	323,895	10.49%	315,151	3.85%	1,013,776	15.83%
Other	***-2,602***	***-0.10%***	***471,347***	***15.27%***	***42,093***	***0.51%***	***709,123***	***11.08%***
Subtotal - secondary income	**981,694**	**37.83%**	**1,045,376**	**33.86%**	**431,333**	**5.26%**	**1,789,891**	**27.96%**
Total revenue	**1,177,919**	**45.39%**	**1,339,395**	**43.39%**	**1,213,027**	**14.81%**	**2,496,901**	**39.00%**

Loan Related Revenue Observations:

Loan Portfolio Revenue

Loan portfolio income is comprised of loan interest, bad debt recovery, application and sundry fees for service. Larger region AFIs generated loan portfolio revenue of $702k on average or 9.59% of their GLP. Smaller region AFIs generated loan portfolio income of $232k on average or 7.93% of their GLP.

FIVE YEAR ROLLING AVERAGE LOAN PORTFOLIO REVENUE



2011 Expense Summary

Fiscal 2011 expenses have been itemized and reflected as a percentage of the GLP. Refer to appendix "C" for expense definitions.

	Average Unprofitable SR AFI		Average Profitable SR AFI		Average Unprofitable LR AFI		Average Profitable LR AFI	
Assets	**4,066,553**		**5,817,406**		**10,596,915**		**16,226,608**	
Total loans advanced during year	**704,129**		**933,376**		**4,847,949**		**2,294,561**	
Gross Loan Portfolio	**2,594,601**		**3,086,911**		**8,194,869**		**6,402,475**	
Total loans advanced in year	**704,129**		**933,376**		**4,847,949**		**2,294,561**	
Expenses		% GLP		% GLP		% GLP		% GLP
Advertising & promotions	12,240	0.47%	22,513	0.73%	32,437	0.40%	25,760	0.40%
Collection expense	1,377	0.05%	406	0.01%	6,230	0.08%	1,237	0.02%
Communications	13,400	0.52%	11,210	0.36%	12,941	0.16%	18,128	0.28%
Depreciation/Amortization	7,284	0.28%	15,115	0.49%	15,948	0.19%	25,293	0.40%
Interest & Bank Charges	7,340	0.28%	8,001	0.26%	19,093	0.23%	18,154	0.28%
Meetings	32,038	1.23%	19,019	0.62%	69,848	0.85%	33,315	0.52%
Office & Admin	54,331	2.09%	62,139	2.01%	80,839	0.99%	80,508	1.26%
Premises costs	53,597	2.07%	34,103	1.10%	45,406	0.55%	48,014	0.75%
Professional fees	76,140	2.93%	41,384	1.34%	69,530	0.85%	64,533	1.01%
Provision for losses	180,311	6.95%	34,098	1.10%	148,224	3.06%	70,181	1.10%
Salaries	301,197	11.61%	299,231	9.69%	410,940	5.01%	498,671	7.79%
Training & development	7,413	0.29%	4,207	0.14%	5,340	0.07%	2,806	0.04%
Travel	39,587	1.53%	42,600	1.38%	48,874	0.60%	33,584	0.52%
Program expense[27]	620,737	23.92%	236,933	7.68%	228,939	2.79%	832,828	13.01%
Other	**625**	**0.02%**	**29,689**	**0.96%**	**170,331**	**2.08%**	**35,591**	**0.56%**
Total expenses	**1,407,617**	**54.25%**	**860,648**	**27.88%**	**1,364,921**	**16.66%**	**1,788,600**	**27.94%**
Net Income	**-230,500**	**-8.88%**	**464,138**	**15.04%**	**-140,888**	**-1.72%**	**708,300**	**11.06%**

27 Total program expenses are reflected as a consolidated separate line item when audited financial statement and related schedule presentation permits.

Observations:

Expense category descriptions are provided in appendix “C”. The most significant AFI expenses are salaries, provisions for loss and program disbursements.

Salaries

As of March 31, 2011, AFIs employed a total of 289 people (337 in 2010 and 346 in 2009). The decreasing number of AFI employees may indicate AFIs are rationalizing revenues and costs. Other indicators in this regard are the decreasing number of loans in the GLP and an increasing average loan balance year over year. In 2011 the maximum number of employees at an AFI is 18, the median is 5, and the minimum is 1.

The data provided in the table below may be a meaningful guideline or reference for AFI GMs/Boards. It is however important to recognize vast regional differences exist from AFI to AFI. e.g. geographic size, rural versus urban, frequency, cost and ease of access and egress in respect of on-site client support etc.

2011	All AFIs Average	SR Profitable	SR Unprofitable	LRProfitable	LR Unprofitable
Average # of loans in GLP	77	72	51	73	118
Average loan balance	59,882	42,665	51,051	87,555	69,609
Average GLP	4,583,249	3,086,911	2,594,601	6,402,475	8,194,869
Average # of Account Managers	1.74	1.74	1.41	1.69	1.94
Average number of BSOs	1.18	0.82	0.62	1.50	1.41
Average number of support staff	1.77	1.53	1.53	2.06	1.93
Average total staff	5.66	4.85	3.88	7.60	7.14
Average # of loans per account manager	43.96	41.69	36.00	43.33	60.80
Average # of loans per employee	21.81	22.16	17.28	19.50	30.47

Provisions for loss

Loan loss provision policies vary across AFIs. Some AFI policies stipulate a fixed percentage of the gross loan portfolio be set aside at year end as a loan loss reserve; other AFIs perform an analysis on delinquent loans to identify specific potential losses and make provisions accordingly; still others review delinquent loans to identify potential specific losses and add an additional percentage of the GLP as a general provision. Consequently loan loss reserves differ amongst AFIs when expressed as a percentage of each AFI’s GLP.

The 2011 consolidated AFI loan loss reserve is 13.31% of the GLP (15.01% 2010). The table below provides detail with respect to loan loss reserves and loan loss provisions.

2011	Loan Loss Reserve % of GLP	Loan Loss Provision % of 2011 loans advanced
SR Average Unprofitable	28.63% (31.05% 2010)	25.61% (20.03% 2010)
SR Average Profitable	12.91% (15.56% 2010)	3.65% (10.37% 2010)
LR Average Unprofitable	10.38% (11.24% 2010)	3.06% (9.54% 2010)
LR Average Profitable	5.79% (6.70% 2010)	3.06% (-0.16% 2010)
All AFIs Average	13.31% (15.01% 2010)	5.85% (8.98% 2010)
Five year rolling average all AFIs	14.41% (15.94% 2010)	7.96% (9.72% 2010)

In 2011, 44 AFIs provided contractual delinquency summaries, and by extension over 90 day arrears. On a consolidated basis the AFI Loan Loss Reserve (LLR) at 14.41% of GLP appears adequate to cover over 90 day contractual arrears which are 12.51% of GLP

Program Expense

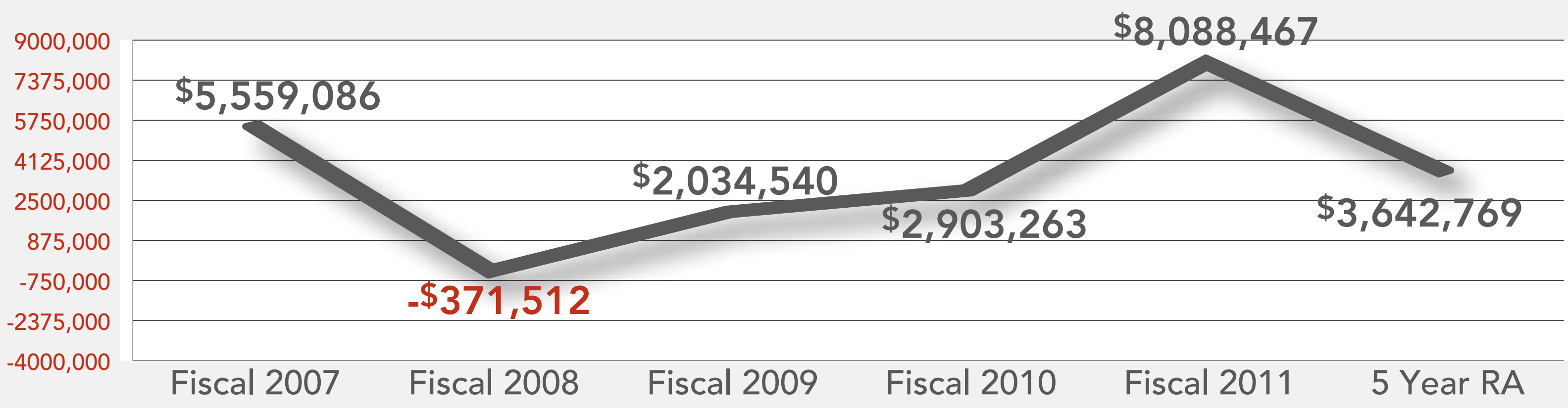
The stable of programs delivered by AFIs, primarily for the Federal Government, fluctuates widely from AFI to AFI. The program expense category reflects the out flow of program dollars as well as related staffing and applicable overhead costs. Not all AFIs use fund accounting. Program revenue is identified as a separate line item however, program related expenses are often not. Consequently some program delivery costs are merged with overall AFI operational expenses e.g. wages and benefits, rent etc.

AFI Profitability

Collectively AFIs have reflected profitable results in four of the last five years.

There were seventeen unprofitable and seventeen profitable smaller region AFIs in 2011. It is noted 83% of the smaller regions AFIs each receive an operating subsidy (at an average of $364k per annum). Eleven of nineteen larger region AFIs (58%) were unprofitable in 2011. Larger region AFIs do not currently receive operating subsidies of any kind. Further analysis indicates 76% of the unprofitable larger region AFIs would have been profitable if proposed Performance-based Allocation programming had been in place in 2011.

PROFITABILITY



Consolidated profitability results sorted by AFI type reveals ACCs collectively incurred losses in four of the past five years. These results may well be a further indication of the need for Performance-based Allocation programming. ACFs and ADLs were profitable in four of the last five years on a consolidated basis.

Year	Total All AFIs	ACFs	ADLs	ACCs
2007	5,559,086	136,330	5,755,827	(179,355)
2008	(371,512)	974,668	(145)	(1,186,494)
2009	2,034,540	7,610	3,613,785	(1,613,925)
2010	2,903,263	1,939,384	2,902,919	(1,966,110)
2011	8,088,467	-622,898	8,357,933	353,432

The ACC Model

The original self-sustaining ACC model was developed prior to 1986. Best estimates were used to develop the model. The central bank rate was in the 8% to 9% range at the time. The model was based on loan portfolio revenue of 12%, administrative costs of 6%, and loan losses of 5% resulting in a profit of 1% to offset inflation and enable loan capital growth. It was assumed the average AFI with a $5 million capital base would be self-sufficient.

The central Bank rate is now in the 1% range. The five-year AFI rolling average loan portfolio revenue is in the 9% range. The five-year rolling average administration expense is in the 10% range. The five-year rolling average loan loss rate is in the 6% range. The resultant net profit has in fact been a loss in the 7% range, despite the fact AANDC has contributed Business Service Officer funding in the range of $2.5 million per year for approximately 5 years.

The AFI Cost of Capital/ AFI Cost of Developmental Lending

The cost of capital is frequently confused with cost of funds. Cost of funds is applicable to lenders that accept deposits or otherwise incur a cost related to capital. The most common examples are banks, credit unions and trust companies, which accept deposits and pay depositors a rate of return for the deposits. Less common are some AFIs that have borrowed funds from conventional institutions or other arm's length lenders and utilized ATC programming to minimize cost. In essence cost of capital is a function of four elements:

1. Administrative expenses (AE) - the amount of administrative expense expressed as a percentage of the loan
2. Loan losses (LL) – the amount of loan loss expected, based on probability of default expressed as a percentage of the loan
3. Cost of funds (COF) – the amount of interest paid to a senior lender expressed as a percentage of the principal of the loan
4. Desired capitalization rate[28] (CR) – the amount allowed for profit and growth expressed as a percentage of the loan

Cost of capital is calculated as follows: $\frac{AE + LL + COF + CR}{GLP}$ = Interest rate charged

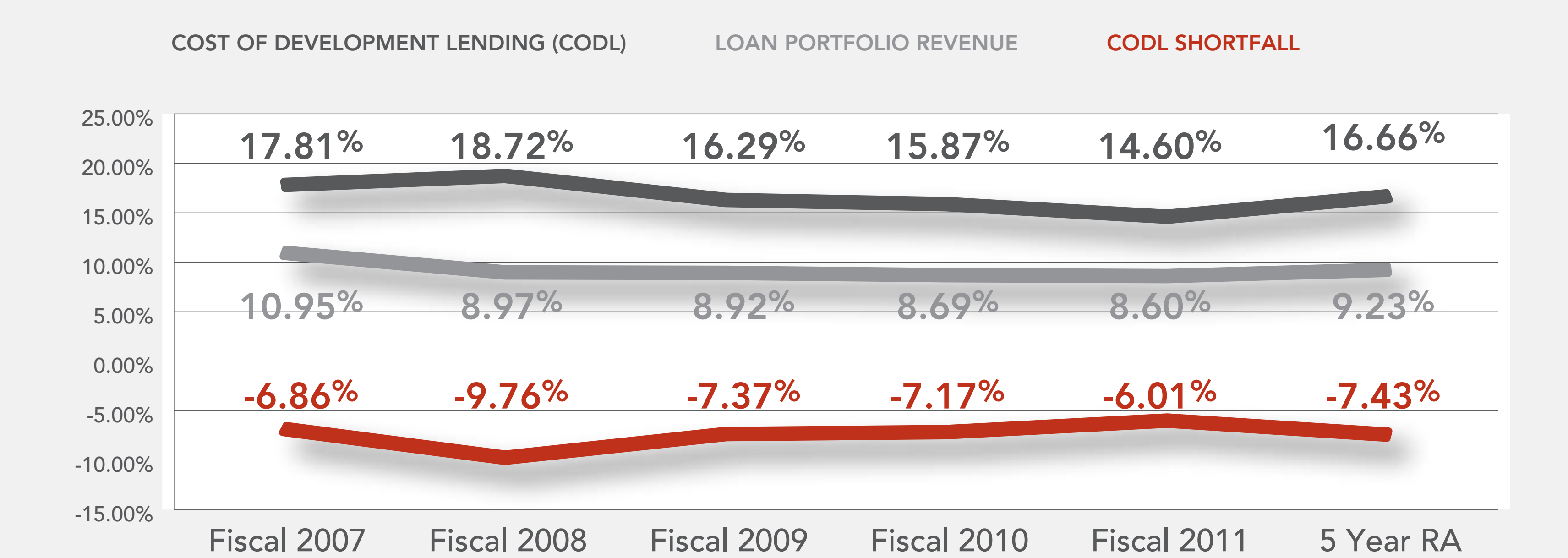
5. For approximately eight years the AFI Cost of Capital calculation utilized a 15% loan loss assumption[29] which is widely believed to be applicable to lenders fully engaged in the provision of developmental loans. In light of reduced risk tolerance levels on the part of some AFIs, when the actual AFI cost of capital or in other words the cost of developmental lending[30] is calculated without inclusion of a 15% loan loss allowance the most recent five-year rolling average cost of capital31 and the resultant shortfall is reflected in the following chart.

28 A capitalization rate is commonly built into loan pricing by lending institutions to allow for growth and expansion of capacity e.g., Micro Financial Institutions (MFIs) have built in a capitalization rate in the range of 5% in recent years. A capitalization rate is not included in AFI cost of capital calculations.

29 Yovhan Burega former Senior V.P. Toronto Dominion Bank under contract with Indian and Northern Affairs Canada (now AANDC) 2004-05

30 This represents administrative expense plus loan loss expense.

31 Based on actual historical loan losses as a percentage of historic loans with a zero cap rate allowance.



It is clear AFIs have not been able to generate sufficient loan portfolio revenue to recover their cost of capital, even with a zero cap rate and even though interest rates may vary from loan to loan based on perceived risk.

Emerging Trends

For the past eight years AFIs and AANDC have collaborated on the design of performance based programming to better enable AFIs to absorb the cost of capital shortfall. Simultaneously, in the absence of such programming some AFIs have independently taken steps to address the issue of capital erosion i.e. improved risk management practices, reduced risk tolerance levels, use of AANDC BSO programming, development of other revenue streams etc. It takes approximately four years for an AFI portfolio to complete the cash to loan to cash cycle. Fruitful results may be materializing along the following lines:

- loan portfolio delinquency and portfolio at risk both decreased in 2011 – this may indicate improved risk management, or a movement lower down on the risk scale, or both
- in the past three years collective loan capital has been more than the consolidated GLP – this may be the result of a measured movement lower down on the risk scale even though annual loan volumes have remained in the $100 million range despite a fragile economy
- average loan disbursements have increased year over year in each of the last five years with the exception of 2011 – this may be a cognizant effort to improve portfolio management cost efficiencies with a view to reaching sustained profitability on the part of some AFIs

SECTION V APPENDICES

Appendix "A" 2011 Consolidated Balance Sheet

	SR Unprofitable	SR Profitable	LR Unprofitable	LR Profitable	Total All AFIs
Assets	Av AFI	Av AFI	Av AFI	Av AFI	All AFIs
Cash & term	1,915,214	2,107,596	2,164,745	4,683,145	129,665,117[32]
Accrued Interest	27,334	54,309	56,984	84,990	2,694,678
Accounts receivable	154,416	303,839	815,349	365,065	19,679,692
Collateral & Loans - Net	1,851,832	2,710,751	7,344,010	6,032,013	206,604,125
Other	38,589	531,035	13,220	4,827,374	48,448,026
Capital assets	79,169	109,876	0	234,020	7,314,596
Total Assets	**4,066,553**	**5,817,406**	**10,596,915**	**16,226,608**	**414,406,234**
Liabilities					
Payables	123,127	135,748	442,915	218,461	11,020,630
Other (includes credit lines)	48,307	11,172	256,859	483,458	6,909,480
Deferred revenue	51,124	45,531	66,188	5,071,878	42,946,229
Long term debt	576,435	537,915	83,279	139,889	20,979,126
Equity					
Equity Capital	12	6	2,213,259	199,913	25,945,460
Contributed surplus	**2,682,395**	**4,766,740**	**8,707,754**	**9,519,096**	**298,573,358**
Surplus -Deficit	**631,905**	**320,294**	**-1,173,340**	**593,913**	**8,031,951**
Total liabilities & Equity	**4,066,553**	**5,817,406**	**10,596,915**	**16,226,608**	**414,406,234**

32 The total includes all forms of cash i.e. specific purpose, program, and project dollars.
ACCs 69.4 million, ACFDCs 23.5 million and ADLs 36.7 million

Appendix “B” 2011 Consolidated Income Expense Statement

	SR Unprofitable	SR Profitable	LR Unprofitable	LR Profitable	All AFIs Consolidated
Revenue	**Av AFI**	**Av AFI**	**Av AFI**	**Av AFI**	**Total**
Interest on loans & investments	92,324	187,922	616,288	374,297	14,537,738
Provision for losses: Interest	0	0	0	0	0
Net Interest on loans	92,324	187,922	616,288	374,297	14,537,738
Recovery on loans & interest	12,330	25,938	25,881	11,730	797,468
Interest on investments	36,956	19,057	15,326	93,007	1,864,854
Fee and misc. income	54,615	61,102	124,199	227,976	5,157,185
Operating subsidies	349,041	250,134	58,096	42,512	11,286,181
Program revenue	635,255	323,895	331,145	1,038,256	28,254,194
Other	-2,602	471,347	42,093	709,123	14,104,687
Total revenue	**1,270,244**	**1,527,317**	**1,224,033**	**2,496,901**	**76,002,307**
Expenses					
Advertising & promotions	12,240	22,513	32,437	25,760	1,153,683
Collection expense	1,377	406	6,230	1,237	108,738
Communications	13,400	11,210	12,941	18,128	705,750
Depreciation/Amortization	7,284	15,115	15,948	25,293	758,557
Interest & Bank Charges	7,340	8,001	19,093	18,154	616,059
Meetings	32,038	19,019	69,848	33,315	1,902,828
Office & Admin	54,331	62,139	80,839	80,508	3,513,293
Premises costs	53,597	34,103	45,406	48,014	2,389,488
Professional fees	76,140	41,384	69,530	64,533	3,294,382
Provision for losses	180,311	34,098	148,224	70,181	5,836,861
Salaries	301,197	299,231	410,940	498,671	18,716,978
Training & development	7,413	4,207	5,340	2,806	278,725
Travel	39,587	42,600	48,874	33,584	2,203,455
Program expense	620,737	236,933	228,939	832,828	23,761,341
Other	625	29,689	170,331	35,591	2,673,702
Total expenses	**1,407,617**	**860,648**	**1,364,921**	**1,788,600**	**67,913,840**
Net Income	**-230,500**	**464,138**	**-140,888**	**708,300**	**8,088,467**

Appendix "C" Expense Definitions

Advertising and promotions
Promotional and advertising materials and events

Collection expense
Generally legal, repossession, storage, refurbishment, and other costs related to the collection of a debt through realization on security.

Communications
Communication expense relates to telephone, facsimile and in some cases identified internet costs.

Depreciation and Amortization
Primarily office equipment however a few AFIs do own the office space they are domiciled in.

Interest and Bank charges
Self-explanatory however a small number of AFIs may incur a mortgage interest or credit line expense.

Meetings
Predominantly Board meeting expense costs inclusive of travel, accommodation, incidental expense and honorariums. It is noted honorariums are usually only associated with ACCs.

Office and administration (averages)
Costs incurred relating to office expenses such as office supplies, small equipment purchases under $500, Insurance, licenses and dues, and membership expenses.

Premises costs (averages)
Premises costs include rent, and other occupancy costs such as utilities and common costs etc. Mortgage interest for AFI owned office premises are also included in this category.

Professional fees
Professional fees typically include legal, audit and third party consultant expenditures.

Provisions for loan losses
The amount of loans estimated as uncollectable subsequent to realization of security.

Salaries
Self-explanatory – includes employee benefits

Training and development
Costs incurred by an AFI to provide employees or Board Members training. Entrepreneurial training costs for clients are not included in this section.

Program expense
A consolidation of all program expenses and disbursements relating to programs delivered by AFIs

Travel
Relates primarily to AFI employee travel costs associated with client visits and marketing activities

Other
Primarily costs associated with specific projects undertaken by AFIs from time to time.

Appendix “D” 2011 Consolidated Loan Statistics

	SR Unprofitable	SR Profitable	LR Unprofitable	LR Profitable	All AFIs Consolidated
	Av AFI	Av AFI	Av AFI	Av AFI	Total
Cumulative loans provided by $	11,744,421	14,186,856	76,862,766	32,420,036	1,573,897,752
Cumulative loans provided by #	377	404	1,445	705	36,177
Historical loans written off by #	48	49	165	90	4,191
Historical loans written off by $	1,180,913	881,236	4,189,200	2,000,040	97,138,042
% loans written off by #	10.06%	6.21%	11.40%	12.71%	11.58%
% loans written off by $	12.83%	12.25%	5.45%	6.17%	6.17%
# of loans to start-up businesses in year	4	8	18	12	520
$ of loans to start-up businesses in year	152,889	360,000	644,781	660,031	21,253,953
# of new loans to existing businesses in year	9	10	20	13	687
$ of new loans to existing businesses in year	507,124	522,461	858,203	1,473,569	72,633,790
Total # of all loans provided during year	14	20	48	25	1,307
Total $ of all loans provided during year	704,129	933,376	4,847,949	2,294,561	99,883,515
Loan Loss Reserve $	742,769	398,506	850,859	370,462	31,724,812
Loan Loss Reserve % of GLP	28.63%	12.91%	10.38%	5.79%	13.31%
# loans Outstanding	51	72	118	73	3,980
Net loan portfolio	1,851,832	2,691,761	7,344,010	6,032,013	206,661,179
Gross Loans Portfolio	2,594,601	3,086,911	8,194,869	6,402,475	238,328,937
Average loan amount	51,051	42,665	69,609	87,555	59,882
Gross interest yield on GLP	3.56%	6.09%	8.74%	6.40%	6.42%
Days Interest Accrual	108	105	34	83	68
Repayment Efficiency	67.85%	72.03%	83.89%	74.08%	78.69%

Appendix “E” 2011 Consolidated Staffing Data

	SR Unprofitable	SR Profitable	LR Unprofitable	LR Profitable	53 AFIs
	Av AFI	**Av AFI**	**Av AFI**	**Av AFI**	Total
# Account Managers	1.41	1.74	1.94	1.69	88.80
# of loan support employees	1.53	1.53	1.93	2.06	90.20
# Total employees	3.88	4.85	7.14	7.60	288.80
# of loans per Account Manager	36.00	41.69	60.80	43.33	44.82
# of loans per all loan employees	17.28	22.16	30.47	19.50	22.23
$ of loans per Account Manager	1,837,842	1,778,898	4,232,092	3,794,059	2,683,884
$ of loans per all loan employees	882,164	945,540	2,121,025	1,707,327	1,331,447

Appendix "F" 2011 Consolidated Operational and Liquidity Data

	SR Unprofitable	SR Profitable	LR Unprofitable	LR Profitable	All AFIs Consolidated
Operational Data	**Av AFI**	**Av AFI**	**Av AFI**	**Av AFI**	**Total**
Bad debt recovery as % Rev	0.97%	0.11%	2.11%	0.47%	1.05%
Fee Rev as % of total rev	4.30%	0.27%	10.15%	9.13%	6.79%
Loan Interest as % of total Revenue	7.27%	0.83%	50.35%	14.99%	19.13%
Program Rev as % of total Rev	50.01%	1.42%	27.05%	41.58%	37.18%
Revenue- % of total Assets	31.24%	1.35%	11.55%	15.39%	18.34%
Expenses %of Total Revenue	110.81%	3.78%	111.51%	71.63%	89.36%
Expenses per Loan	27,696	700	11,594	24,459	6,421
% Expenses of Net Loan Portfolio	76.01%	1.88%	18.59%	29.65%	32.86%
Net Profit as % of Revenue	-18.15%	2.04%	-11.51%	28.37%	10.64%
Net Profit as % of Total Assets	-5.67%	0.47%	-1.33%	4.37%	1.95%
Cost of Capital	776,752	58,020	991,683	41,221	25,554,959
Cost of Capital % of GLP – 15% loan loss allowance	36.78%	0.92%	25.34%	13.38%	22.75%
Cost of Capital per Outstanding Loan	15,283	47	8,424	564	6,421
Liquidity					
Loan Capital Contributions and capital debt	2,499,752	2,867,841	8,470,667	8,729,752	254,724,040
Total Assets % Loan Capitalization	162.68%	11.93%	125.10%	185.88%	162.69%
Deployed Loan Capital	1,801,818	1,661,742	2,008,524	(1,441,257)	72,152,925
Self sufficiency	96.34%	5.46%	96.74%	73.34%	93.56%
Operational efficiency	90.24%	9.15%	89.68%	139.60%	111.91%
Financial self sufficiency	50.09%	4.10%	56.16%	69.09%	89.35%

Appendix "G" 2011 Consolidated Loan Capital and Leverage Data

	SR Unprofitable	SR Profitable	LR Unprofitable	LR Profitable	Total
	Av AFI	**Av AFI**	**Av AFI**	**Av AFI**	**All AFIs**
Loan Capital Absorption Rate	469.82%	29.10%	907.40%	371.37%	617.88%
Liquid Cash as Percentage of GLP	69.44%	3.17%	24.51%	53.65%	46.64%
Leverage	67.85%	72.03%	12.83%	57.57%	40.13%
Client equity	214,856	238,992	267,939	634,359	15,927,581
Government contributions	57,340	448,126	120,781	271,817	12,465,725
Conventional lenders	0	328,402	224,881	414,758	10,705,364
Other AFI Network lenders	24,676	21,211	8,150	-	981,367
Total leveraged	**296,873**	**1,036,731**	**683,926**	**1,320,933**	**40,080,037**

Appendix "H" Net AFI Cost of Capital Calculation

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	5 Year RA
Loan Portfolio Revenue as % GLP	10.95%	8.97%	8.92%	8.69%	8.60%	9.23%
Admin Expense as % GLP	11.30%	12.15%	9.66%	9.32%	8.01%	10.09%
Loan loss as % of historical loans	6.25%	6.29%	6.37%	6.33%	6.17%	6.28%
Cost of funds as % of GLP	0.25%	0.28%	0.26%	0.21%	0.26%	0.25%
Cost of capital	17.81%	18.72%	16.29%	15.87%	14.45%	16.63%
CODL shortfall	**-6.86%**	**-9.76%**	**-7.37%**	**-7.17%**	**-5.85%**	**-7.40%**

Appendix “I” Smaller and Larger Geographical Region AFI Listing

Smaller Region AFIs	Smaller Region AFIs continued	Larger Region AFIs
1 2 Akaitcho Business Development Corporation	21 Sahtu Business Development Centre*	1 Alberta Indian Investment Corporation
2 Baffin Business Development Corporation	22 Southeast Resource Development**	2 All Nations Trust Company
3 Burns Lake Native Development Corp*	23 Sto:Lo Development Corporation**	3 Apeetogosan (Métis) Development Inc.
4 Beaver River Community Futures Development	24 Tale’ Awtxw Aboriginal Capital Corp	4 Arctic Cooperative Development Fund
5 CFDC of Central Interior First Nations	25 Thebacha Business Development Services	5 Clarence Campeau Development Fund
6 Cedar Lake CFDC	26 Tecumseh Development Corporation	6 Däna Näye Ventures
7 Corporation Développement Économique Montagnaise	27 Treaty Seven Economic Development Corp	7 First Nations Agricultural Lending Association
8 Dakota Ojibway CFDC	28 Tribal Resources Investment Corp.	8 First Peoples Economic Growth Fund Inc.*
9 Deh Cho Business Development Centre	29 Two Rivers Community Development Centre*	9 Indian Agricultural Program of Ontario
10 EEYOU Economic Group/CFDC Inc.	30 Visions North CFDC	10 Indian Business Corporation
11 Haida Gwaii	31 Wakenagun Community Futures Dev. Corp.*	11 Louis Riel Capital Corporation
12 Keewatin Business Development Centre (Kivalliq)	32 Waubetek Business Development Corp	12 Nishnawbe Aski Development Fund
13 Kitayan CFDC*		13 N.W.T. Métis-Dene Development Fund Ltd.*
14 Kitikmeot Community Futures Inc.		14 Ohwistha Capital Corporation
15 Native Fishing Association		15 Saskatchewan Indian Equity Foundation Inc.
16 North Central Manitoba CFDC		16 Sask Métis Economic Development Corp
17 Northern Enterprise Fund Inc.		17 Settlement Investment Corporation
18 Nunavik Investment Corporation**		18 Société de crédit commercial autochtone
19 Nuu-chah-nulth Economic Development		19 Tribal Wi-chi-way-win Capital Corporation
20 Rainy Lake Tribal Area Business & Financial		20 Ulnooweg Development Group Inc.

Sincere appreciation is extended to AFIs whose names are italicized for their provision of current audited financial statements and supporting data enabling the compilation of this report.

* Most current year audited financial statements and supplemental AFI data not provided – most recent year end data used
** Most current year supplemental data only not provided – most recent year end supplemental data used

Note: Anishinabe Mazaska Capital Corporation, Bella Bella Community Development Society, Dogrib Area Community Futures Development Corporation, Kakivak Association, Kahnawake Loan Guarantee Fund, Atuqtuarvik Corporation, Northwest Manitoba Community Futures Development Corporation and Prince George Aboriginal Business Development Centre have been excluded from the above fiscal 2011 list.

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