ABORIGINAL FINANCIAL INSTITUTIONS

FISCAL 2007

"Repayments Approaching $1 Billion"

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Director Corporate Development

"REPAYMENTS APPROACHING $1 BILLION"

Executive Summary
History of Aboriginal Financial Institutions (AFIs)

In the late 1980s and early 1990s the federal government and Aboriginal leaders created what has become "an Aboriginal small business financial infrastructure. *AFIs have:*

- *provided an unprecedented $1.2 billion in Aboriginal small business loans;*
- *been repaid an unprecedented $1.1 billion in Aboriginal business small business loans; and,*
- *Continue to manage a vibrant $216 million Aboriginal small business gross loan portfolio, as of March 31, 2007.*

AFIs were created to improve efficiencies in program design and delivery through increased Aboriginal control. In 1997, AFIs formed the National Aboriginal Capital Corporation Association (NACCA). NACCA serves as the AFI central hub. It develops and disseminates AFI products and services for member AFIs.

AFI Network Highlights

- ***In 1986 the first AFIs created provided 25 Aboriginal small business loans totaling $173,50***
- ***In their first 10 years AFI loans totaled $315,187,128. In the last 10 years AFI loans have totaled $ 765,279,910***.
- ***By March 31, 2007, AFIs provided 30,520 loans aggregating a record $1,227,705,748***
- assisting Aboriginal entrepreneurs in the creation of thousands of businesses, generating tens of thousands of jobs
- ***Principal loan repayments to AFIs is fast approaching the $1 billion level:***

Total loans provided	$1,227,705,748
Less historical loan losses	$77,125,321
Less March 31, 2007 gross loan portfolio	$217,568,866
Equals principal repayments of	$933,011,561

- ***AFI debt financing is integral to the startup of approximately 500 new Aboriginal businesses each year[1].*** In 2007 start up businesses received 519 loans totaling $20,478,836. Existing businesses received 587 new loans totaling $25,315,908.
- ***The five year success rate for Aboriginal owned businesses, receiving AFI loans and business support services, is 58% compared to the Canadian norm of 33%[2].***
- ***AFIs directly employed 363 people as of March 31, 2007;*** 67% of AFI employees is Aboriginal; 57% of AFI Senior Managers are Aboriginal; 78% of AFI Support Managers are Aboriginal and 71% of AFI Support Staff are Aboriginal.

[1] 43 AFIs reported details specifically concerning new loan advances in fiscal 2007. A 2005 NACCA survey revealed an average of 1.3 loans per business.
[2] Don Allen and Associates Pilot Study 2003

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New Developments

The introduction of the RPO initiative is arguably the most important development in the history of AFIs.

The overall cost of developmental lending for all AFIs has been calculated at 24.84% for fiscal 2007. The five year rolling average AFI cost of developmental lending has been calculated at 26.73% (refer to page 12 below for details).

The Risk Premium Offset (RPO) has been planned by INAC/ABC/NACCA to offset the high costs of developmental lending AFIs do.

The model developed contemplates a 15% AFI premium for medium risk developmental loans and a 20% AFI premium for high and very high risk developmental loans. The 2006 Don Allen study revealed the AFI risk profile for new loan advances was:

- 41.40% medium risk developmental loans
- 43.10% high risk developmental loans
- 1.00% very high risk developmental loans

Based on the 2007 AFI new loan advances of $45,794,744, the above noted AFI risk profile and RPO rates, the RPO initiative would generate additional loan revenue 15.02% to AFIs, nearly closing the overall AFI cost return gap. Combined with the enhanced risk measurement and management practices enshrined in the RPO initiative, the impact of the RPO initiative will preserve AFI loan capital and substantially strengthen both the financial and management capacities, of the AFI Network, over a protracted period.

The establishment of regional AFI loan syndication pools *(discussion phase now underway)* ***will considerably strengthen the impact of AFI network by:***

- facilitating the placement of larger debt offerings than currently possible by individual AFIs;
- enhancing the overall risk management profile of the AFI network;
- leveraging private capital;
- enhancing AFI capacity to participate in larger debt offerings;
- facilitating knowledge transfer to and from AFIs;
- enhancing the capacity of the existing AFI infrastructure;
- Synergizing AFI loan Syndication pools with existing and contemplated AFI initiatives.

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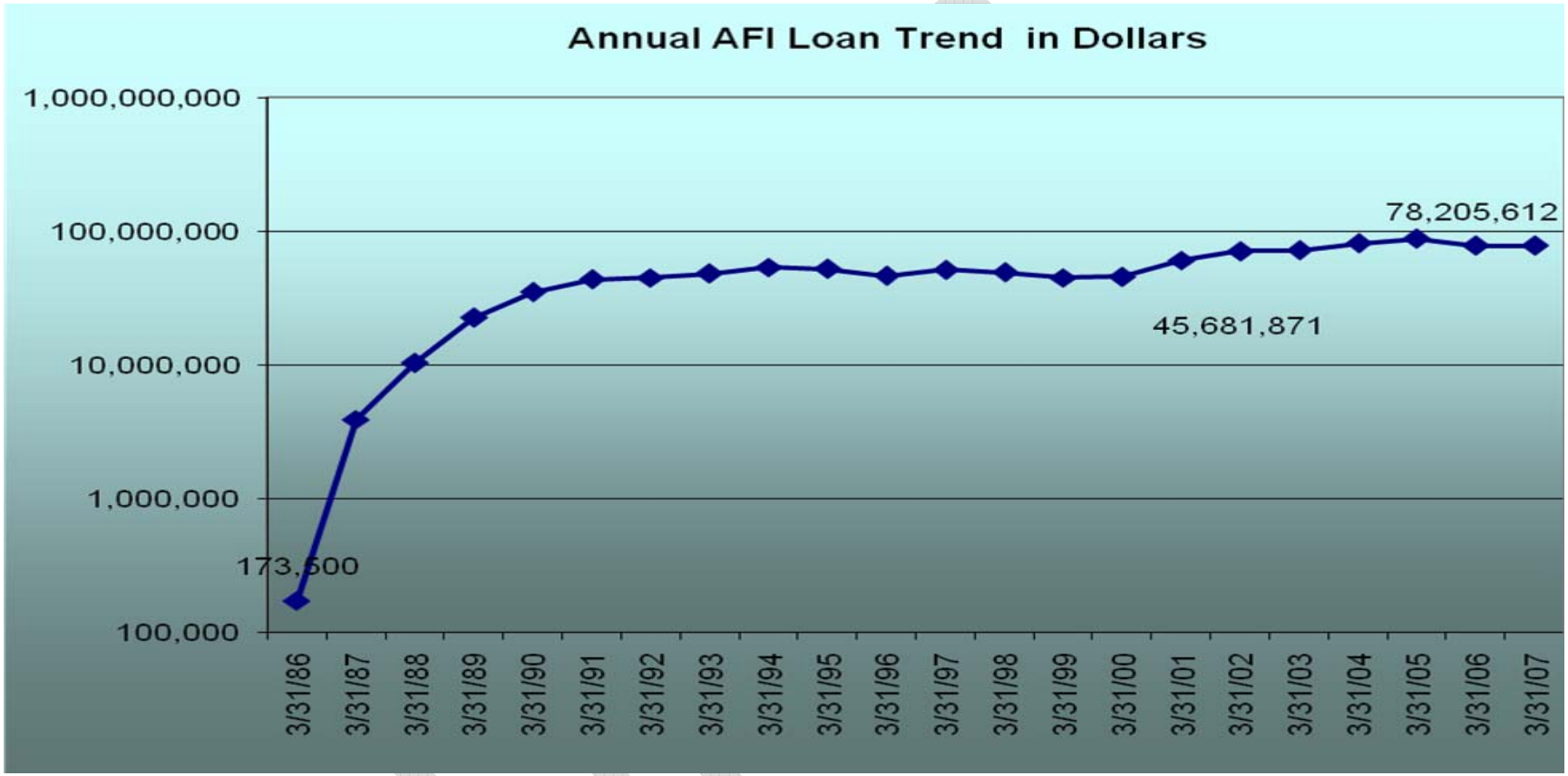
The annual AFI dollar volume of loans was $81.3 million in 2007 ($74 million 2006). The chart below reflects historical annual loan disbursements since the inception of AFIs in 1986.



Since implementation of the Access to Capital (ATC) initiative in 2000-2001, the annual dollar volume of AFI loans has nearly doubled.

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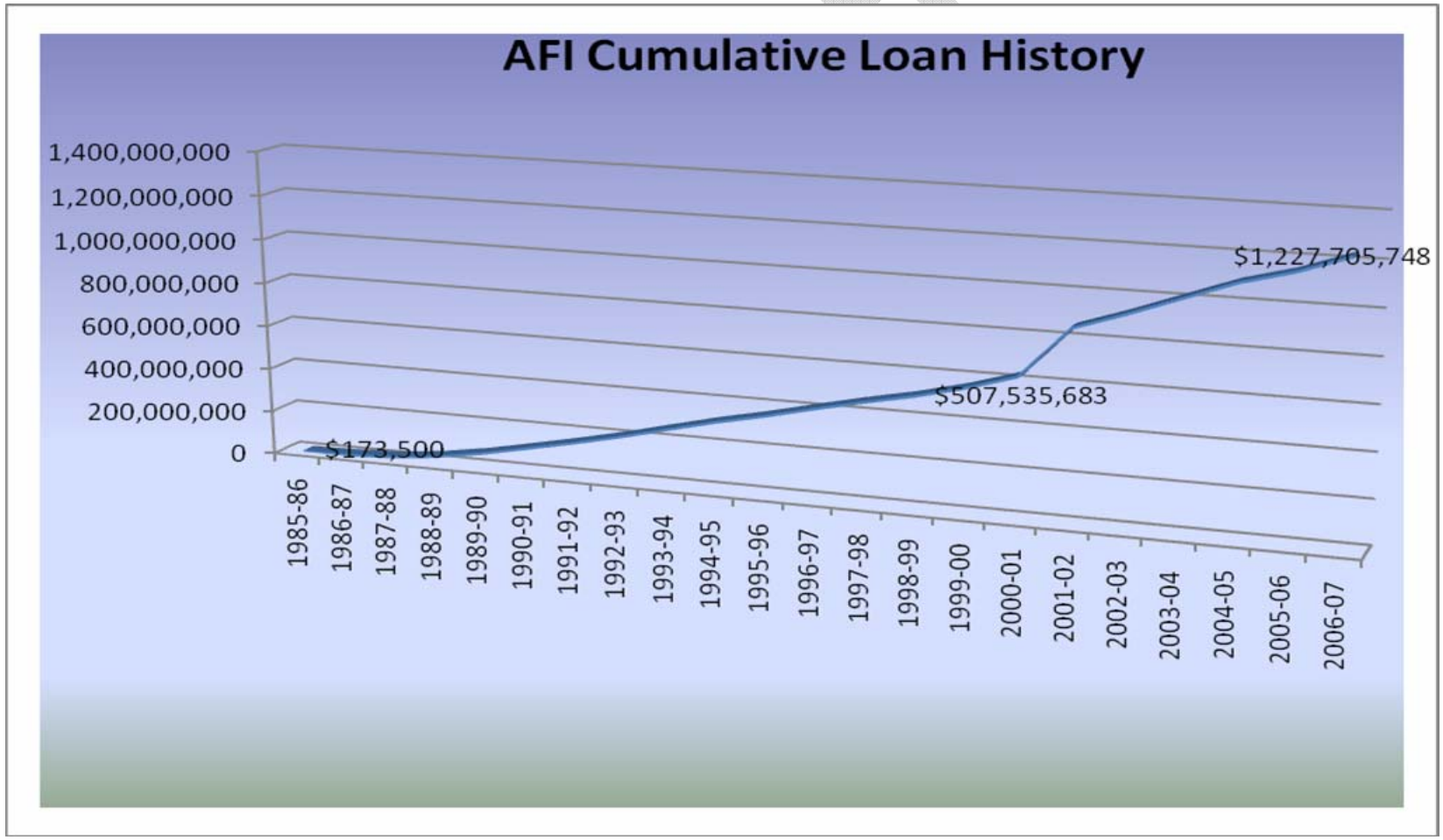
The average age of an AFI is approximately 17 years, with the oldest 22 and the youngest 7. During the first ten years of AFI existence, cumulative AFI loans totaled $263 million. Since implementation of the ATC initiative seven years ago, AFIs have provided loans totaling $599 million, a 127% increase. As of March 31, 2007 AFI cumulative AFI loans have reached $1.28 billion.



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The collective AFI Gross Loan Portfolio (GLP) as of March 31, 2007 was comprised of 4,601 loans aggregating a record $218 million, a $100 million or 100% GLP increase, over a ten year period.

It is to be noted the GLP declined slightly from 1995-96 to 1999-00 in conjunction with uncertainty associated with continued government support for AFIs. However, the GLP escalated sharply, from 2001-01 to 2006-07, in concert with government's Access to Capital (ATC) initiative, an initiative held in high regard by AFIs. The slight dip in the GLP evident in 2002-03 may be attributable to AFI uncertainty with respect to the renewal of the ATC initiative. There is clear evidence that AFI GLP activity coincides closely with consultative well planned stimulation by government.

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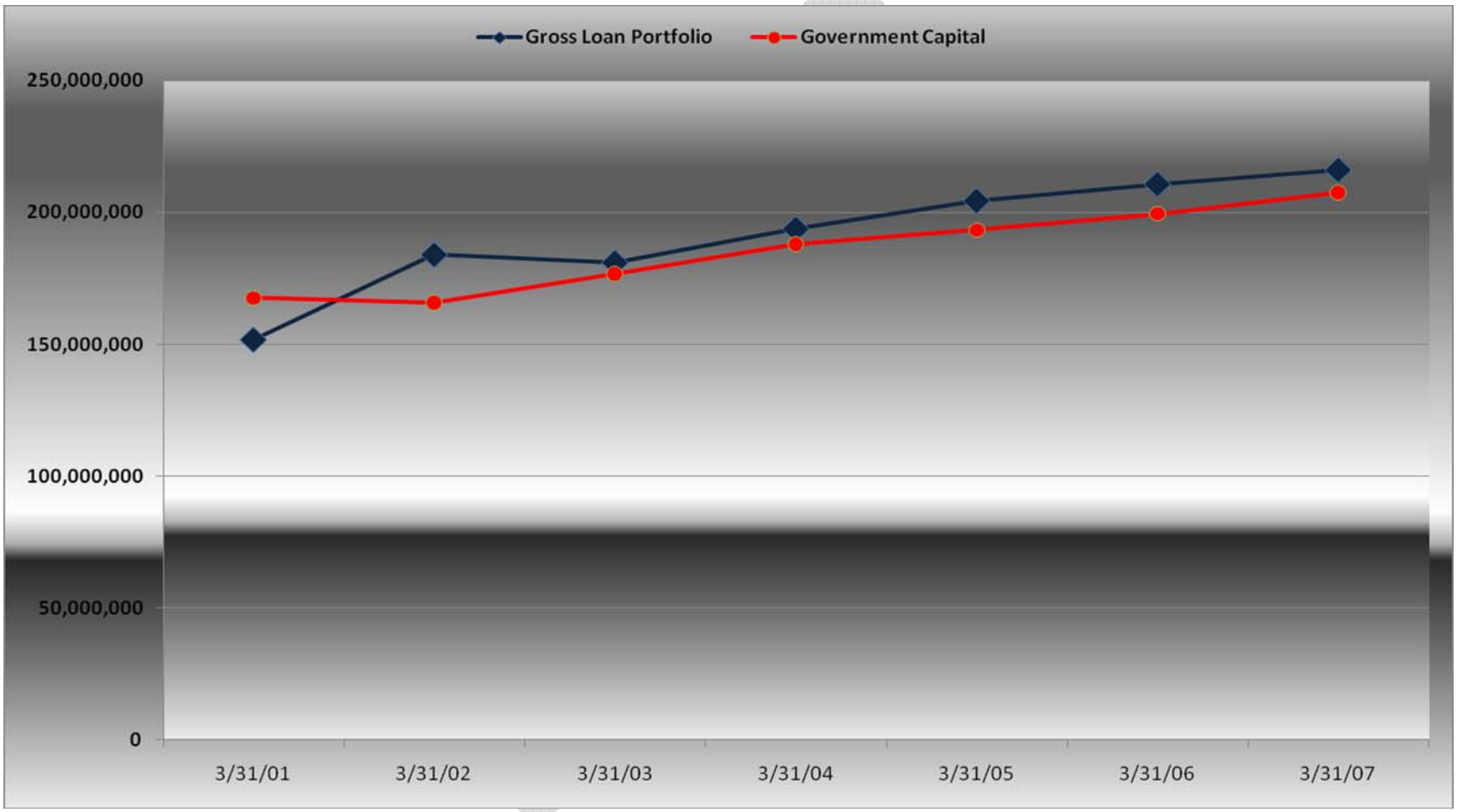
For the past six years, the collective AFI GLP has exceeded the level of loan capitalization government has provided to AFIs. Through the ATC initiative, some AFIs have attracted private sector capital utilizing the Interest Rate Buy-down (IRB) element. A few others have successfully attracted small amounts of loan capital from unconventional sources such as Tribal Councils and Métis Settlements.



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The AFI Network

The AFI Network is comprised of 59 AFIs located in every Province and Territory in Canada.

Current Provincial and Territorial AFI representation is as follows

YK	NT	NU	BC	AB	Sask	Man	Ont	PQ	Atlantic
1	7	5	12	5	6	8	9	5	1

AFIs deliver a vast array of Aboriginal business and community development products and support services, inclusive of small business loans to Aboriginal small businesses engaged in all sectors of the Canadian economy. Collectively AFIs comprise an Aboriginal financial infrastructure spanning the entire Country.

The AFI Model

The first AFIs commenced small business loan transactions in 1986.

In 1986, it was assumed loan capitalization in the $4 to $5 million per AFI would be adequate for AFIs to achieve self sufficiency over a five year period. In recent years it has been recognized the original AFI model (charge 12%, contain operating costs at 6%, absorb a 5% write off and make a 1% profit) was fundamentally flawed. Interest rates have dropped from late 1980 range of 12 % +. AFI yield achieved in 2007 was 9.00% (2006 – 7.93%). Expenses have far exceeded the original estimates primarily because developmental lending costs were not a known factor at the time AFIs were created.

AFIs by virtue of intent and design, AFIs are heavily engaged in the provision of high risk loans which do not fall within the risk parameters of Canada's conventional lenders. The fundamental purpose of establishing AFIs however; to improve efficiencies in program design and delivery through increased Aboriginal control, has been proven to be sound, based on AFI loan repayments and Aboriginal business success rates of 58% (versus the Canadian norm of 33%) after five years in business. Notwithstanding the success rate of AFI clients, the combined effects of providing high risk loans and the flawed AFI model, has resulted in financially unsustainable AFI financial performance. In recognition of the high costs of developmental lending an activity based Risk Premium

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Offset (RPO) initiative has been developed which will if/when rolled out enable AFIs to significantly close the gap on developmental lending revenues and costs without the need to raise interest rates charged on loans in order to cover costs.

Collective AFI financial losses, which in effect erode AFI loan capital, have been incurred in four of the last seven years.

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AFI Network Financial Results

Revenues for the 53 AFIs totaled $69.6 million in fiscal 2007 (2006 $62.6 million).

Overall operating expenses totaled $63.9 million in 2007 ($65.5 million 2006). It is recognized year to year financial results are unduly influenced by wide swings in annual provisions for loss. An analysis of reserve for loss allowances over the most recent seven year period indicates the median reserve for loss is 16.88%. Theoretically, annual provisions for loss expressed as a percentage of loans advanced each year should equal the reserve for loss expressed as a percentage of the gross loan portfolio. Applying this theory to collective AFI profitability results over the most recent seven year period indicates financial losses would have been incurred in each of the last seven years, with the median annual loss being $2.8 million and the average annual loss being $4.4 million.

AFI Developmental Lending Costs

The cost of capital, or lending cost, is a function of five elements:

1. administrative expenses
2. loan losses
3. cost of funds
4. desired capitalization rate
5. investment income

Each element is normally expressed as a percentage of the average outstanding loan portfolio to determine the interest rate to be charged to recover costs and enable a profit. It is normally calculated as follows:

$$\text{Rate} = \frac{\text{Administrative Expenses} + \text{Loan Losses} + \text{Cost of Funds} + \text{Capitalization Rate}}{\text{Average Outstanding Gross Loan Portfolio}}$$

The act of calculating AFI lending costs is not as straight forward as it is for conventional lender counterparts for two reasons:

1. Loan loss provisions vary widely from AFI to AFI and within individual AFIs from year to year because five year rolling averages are not used by AFIs to ameliorate wide swings from year to year
2. Program delivery and project management expenses are predominantly intermingled with lending expenses

For further clarification AFIs do not share a common methodology to establish provisions for loan losses. Subsequently, provisions vary widely from AFI to AFI and can vary widely within the same AFI from year to year. However, by consolidating AFI Loan Loss Reserves, an average Loan Loss Reserve for all AFIs was determined. And in a perfect world provisions for loss would always be made at the same rate as loan loss reserves. Subsequently, the AFI Loan Loss Provision was determined to be in the 15% range.

AFI administrative expenses are predominately a consolidation of expenses attributable to all the forms of AFI revenue. AFI revenues are predominantly identified in audited AFI annual financial statements as Net Interest on Loans, Bad Debt Recoveries, Interest on Deposits, Fee and Miscellaneous Income, Subsidies, Programs and Projects. Although AFI loan related revenues are clearly identifiable in AFI audited annual financial statements, lending expenses are not. Accordingly, for the purposes of calculating AFI developmental lending costs it is assumed and widely accepted that revenue derived through the delivery of government programs and the management of projects yields neither a positive nor negative return to the AFIs; but merely permits AFIs to recover the actual cost of delivering programs and managing projects. Therefore in order to determine AFI lending costs, amounts equal to revenues associated with program delivery and project management have been deducted from the total consolidated AFI expenses reflected in the audited financial statements.

The AFI cost of developmental lending (CODL) has therefore been calculated as follows:

$$\text{CODL} = \frac{\text{Adjusted Administrative Expenses} + \text{Adjusted Loan Losses} + \text{Cost of Funds}}{\text{Gross Loan Portfolio}}$$

Utilizing the above methodology the 2007 overall CODL for all AFIs is 24.73%.and the five year rolling average is 26.71%. The 2007 yield on the AFI GLP is 9.15% and the five year rolling average yield on the consolidated GLP is 8.15%. Consequently the overall 2007 gap between CODL and yield is 15.58%. The overall five year rolling average gap is 18.56%.

The 2007 SR average AFI CODL is 24.81%. The 2007 unprofitable SR average AFI CODL is 32.36%. The 2007 profitable SR average AFI CODL is 19.89%.

The 2007 LR average AFI CODL is 24.66%. The 2007 unprofitable LR average AFI CODL is 24.64%. The 2007 profitable LR average AFI CODL is 24.68%.

Recent and Ongoing Developments

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AFIs through their national association NACCA, and AEP are working in concert to enhance both AFI operational and financial performance results.

AFIs:

- In a few cases AFIs have been able to augment loan capital provided by government, with private sector capital. Leveraging private sector capital has therefore become a reality for a select few. The overall effect has produced very favourable results e.g. the collective AFI gross loan portfolio has exceeded the amount of loan capital provided by government in each of the last six years – refer chart on page 7.
- Have developed and are taking extensive developmental lending training to refine AFI staff skill sets. To date Manitoba, Saskatchewan and Alberta AFIs have undertaken 30 of 48 training modules of the *"Analyzing a Business Plan"* course with other regional AFIs lined up to engage in this course in fiscal 2007-08 and 2008-09. The *"Strategic Planning"* and *"Financial Management"* courses have been fully developed and are ready to roll out as resources permit.
- The Saskatchewan region AFIs have, for 5+ years been successfully syndicating loans. NACCA has developed a business plan to implement a National Loan Syndication Pool (LSP) enabling AFIs to provide loans larger than individual AFI loan capital bases could prudently accommodate, in order to fill a gap well documented by a Growth Connections feasibility study in 2004. In 2006 government indicated an inability to fund such an undertaking based on demand identified in the third party feasibility study and a business plan prepared by PWC's Quebec City office. In 2007-08 some AFIs from other regions are contemplating the establishment of regional loan syndication pools to begin to address this debt capital gap. Discussions with INAC are now at the conceptual stage.
- Have documented and disseminated AFI best practices to positively impact on both financial performance and stability, as well as provision of support services to clients
- Have together with INAC developed a Risk Premium Offset (RPO) initiative to better recognize, manage and be compensated for select levels of loan related risk
- Are developing an AFI Business Services Officer (BSO) initiative for all AFIs and AFI clients. An extensive AFI staffing "Time Study" was completed in 2005 and will be updated in 2008-09 to enable AFIs to bring a well founded recommendation forward.

Government:

- Have provided funding to cover the cost of developing and delivering AFI Training Courses – S&T funding
- Have provided Interest Rate Buy down support (introduced in 1998 as a temporary measure) to raise capital from non government sources and help defray the cost of AFIs borrowing additional capital from arms length lenders such as Peace Hills

Trust, RBC and First Nations Bank. Since relatively few AFIs have used IRB it would appear timely to conduct a review to document the reasons for limited IRB take up and introduce measures to either increase take up or develop alternate solutions for the acquisition of additional loan capital

- Have and continue to provide funding to support the AFI National office (NACCA)
- Have provided specific funding to research, document and disseminate AFI Best Practices throughout the AFI network
- Have provided $20.7 million in AFI capital top ups over the last six years to ACCs demonstrating need. In addition ACOA has provided $6.0 million, and FEDNOR nearly $1.7 million during the same time span
- Have provided BSO support funding through to approximately 17 ACCs enabling them to fill 19 BSO positions
- Are considering funding a Risk Premium Offset (RPO) program to offset a portion of the AFI's developmental lending costs

Near Term AFI Priorities

The NACCA Board prioritized current NACCA/government AFI programming initiatives as follows:

1. *To design and implement a Risk Premium Offset compensation program for **all** AFIs*
2. *To design and implement a BSO subsidy program for **all** AFIs demonstrating a need*
3. *To implement the LSP for all AFI clients requiring levels of debt capital in excess of individual AFI capacity*

Perhaps the most meaningful undertaking to improve AFI financial performance may be for INAC, Regional Agencies and other relevant departments e.g. HRSDC, to work with AFIs/NACCA and jointly participate in utilizing the AFI small business financial infrastructure more effectively, and more uniformly.

E.g. INAC/ABC has lead the way providing loan capital top ups totaling $20,707,007 to ACCs over the past seven years, ACOA $6,000,000 and FEDNOR $1,655,000. WD and CEDQ have not apparently provided any capital top ups in any of the last seven years. ACFDCs north of 60 apparently have no direct federal linkages at all. INAC/ABC has also initiated new support mechanisms such as BSO funding for 19 BSO positions in ACCs while ACFDCs do not receive any specific BSO funding.

1. ***Some AFIs need to obtain additional loan capital adequate to achieve individual AFI self sufficiency and meet market demand.*** As of March 31, 2007a total of 15 AFIs (28%) have liquidity levels of 15% or less – including program related cash which cannot be used for loans. Contemplating only government loan capital provided, it would appear 26 AFIs (50%) have liquidity levels of 15% or less.

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2. ***Some AFIs need to improve financial performance and stability.*** Concrete fundamental changes are occurring and are expected to continue e.g. A 2006 survey of AFIs revealed 59% of AFIs used a risk measurement tool to estimate risk associated with loan applications and 68% of AFIs establish interest rates for loans on the basis of perceived risk.
3. ***Some AFIs need to improve the level of support assistance they are able to provide to clients***. Implementation of the RPO initiative and expansion of the BSO initiative will empower AFIs to enhance the level of assistance they are able to extend to clients.
4. ***Some AFIs need to offer larger loans to client businesses that are ready to expand but unable to secure required capital from mainstream sources.*** Augmentation of existing individual AFI loan capital bases, when warranted, via a clearly defined well documented process; and the possible development of regional and/or sector based loan syndication pools will fill a gap which has been evident for some time.

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Average AFI Statistics and Operating Results/Impacts

The purpose of the following sections is to document collective and average AFI activity results as of March 31, 2007 providing those concerned with AFI statistics or benchmarks with which to gauge the operation of individual AFIs.

Qualifications

53 audited AFI financial statements and related supporting information from AFIs were consolidated to produce the fiscal 2007 AFI data.

Although 83% (44) of AFI year ends occur March 31st 17% (9) do not. The most recent year end data available for these 9 AFIs was used to compile collective 2007 AFI results. Wherever possible, the data contained in this paper was extracted directly from audited AFI financial statements. In some cases AFI audited financial statements did not indicate:

- The total number of loans advanced during the year
- The total dollar amount of loans advanced during the year
- The total number of loans in the loan portfolio at year-end
- The total number of loans written off during the year
- The total dollar amount of loans written off during the year

In all cases AFI audited financial statements do not indicate the number or dollar amounts of loans to startup businesses or the number and dollar amounts of new loan advances to existing businesses.

In the above circumstances data was collected directly from respective AFIs. However, seven AFIs have yet to provide the supplemental data required. In these seven cases statistics from the most recent year were simply carried forward.

It is also to be noted:

1. Not all AFIs use identical revenue and expense category terms/phrases. Some discretion was therefore necessary to consolidate the financial results.
2. ABC provided ABC AFI statistics for years prior to 2000.
3. The Regional Agencies have not provided any Regional Agency AFI statistics – Regional Agency AFIs themselves provided all Regional Agency AFI information directly to NACCA.

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

In 2004 it was recognized a greater number of commonalities existed amongst AFIs when they were grouped into geographical sizes. Through discussion with INAC/ABC it was mutually agreed there are 33 Smaller Region (SR) and 18 Larger Region (LR) AFIs actively engaged in the provision of un-bankable loans to Aboriginal businesses. Comments provided under the headings below relate to SR and LR AFIs.

AFI Management and Oversight

Governance

AFI Boards are independent and autonomous. They are comprised of individuals from the regions they serve. Generally, if an AFI Board does not consider itself to have a sufficiently strong business, financial or academic representation on its Board, one or often two outside directors (possessing one or more of the required attributes) are recruited to sit on the AFI Board.

Operational Management and Staff

As of March 31, 2007 AFIs directly employed a total of 363 people of which 93 were Account Managers and 151 were loan support employees, 53 were General Managers, and 66 were on staff as a result of government programs delivered and miscellaneous projects undertaken.

SR AFIs employed 209 people (average SR staff 6) while LR AFIs employed 154 people (average staff 9). SR AFIs employed 63 Account Managers (average 1.6 per SR AFI) while LR AFIs employed 41 Account Managers (average 2.1 per AFI). SR AFIs employed 20 BSOs (average .61 per AFI) while LR AFIs employed 24 BSOs (average 1.31 per AFI).

It is recognized Account Manger and BSO functions are intermingled in many AFIs due to financial constraints. Similarly, many AFI Loan Support staff duties are intermingled due to financial constraints. Nevertheless, criteria from a 2005 AFI Time study completed by NACCA and applied to 2007 AFI client loads, indicates AFIs are collectively under staffed by 12%. Understaffing therefore appears to be a serious impediment in terms of client assistance and risk mitigation.

A 2006 NACCA survey revealed the overall average experience levels for AFI management positions were: General Managers9 years, Account Managers 6 years and Business Service Officers 7 years.

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2007 AFI Loan Statistics

In fiscal 2007 a total of 1,390 loans aggregating $81,354,335 were provided to Aboriginal entrepreneurs (2006 – 1,387 $73,717,521).

In fiscal 2007 42 of the AFIs provided data with respect to new loan advances to startup businesses and new loan advances to existing businesses. The 42 AFIs in this group provided 1,098 loans totaling $46,492,013 during fiscal 2007. Of this total 512 loans (46.63%) totaling $20,690,883 (44.50%) were to new startup businesses and 586 loans (53.37%) totaling $25,801,130 (55.50%) were new loan advanced to existing businesses.

In fiscal 2007 the average SR AFI provided 7 startup business loans totaling $279,439 and made 10 new loan advances to existing businesses totaling $462,763.

The average LR AFI provided 15 startup loans totaling $637,189 and made15 new loan advances to existing businesses totaling $637,189.

In fiscal 2007 the average AFI provided 27 new loan advances totaling $1,137,668 of which 12 (44.44%) totaling $492,640 (43.30%) were to startup businesses and 15 (56.56%) totaling $645,028 (56.70%) were new loan advances to existing businesses.

Liquidity

As of March 31, 2007a total of 15 AFIs (28%) have liquidity levels of 15% or less – including program related cash which cannot be used for loans. Contemplating only federally contributed loan capital, it would appear 26 AFIs (50%) have liquidity levels of 15% or less.

Lower liquidity levels may be a contributing factor to lower annual loan volumes for LR AFIs over the past two years e.g. 2004-05 $50 million, 2005-06 and 2006-07 $41 million, an 18% decline.

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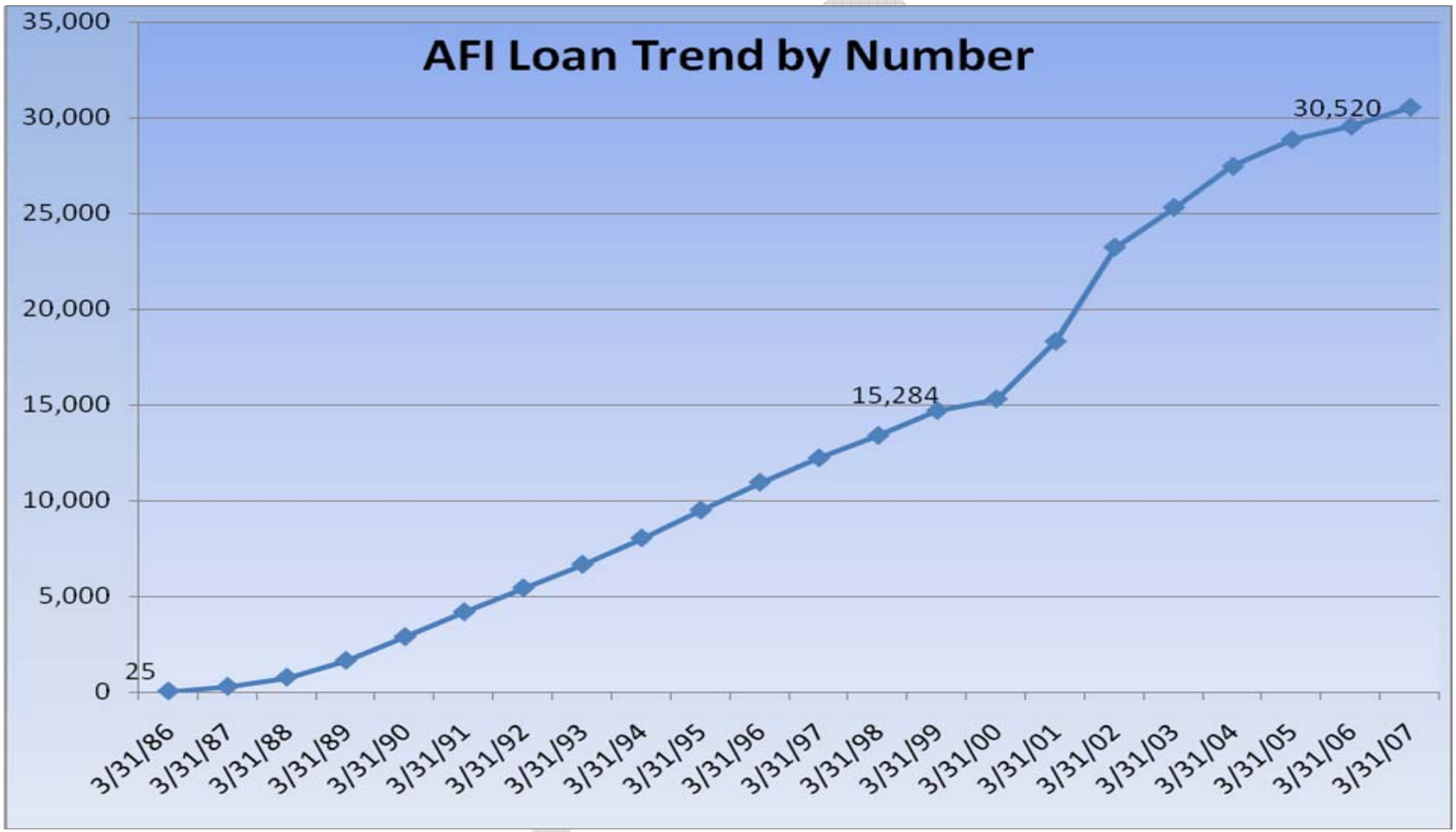
Number of cumulative AFI loans

Since the inception of AFIs 30,520 loans totaling $1,227,705,748 have been advanced by AFIs. Annual AFI loan volumes have consistently remained in the $80 million per year range for five years.



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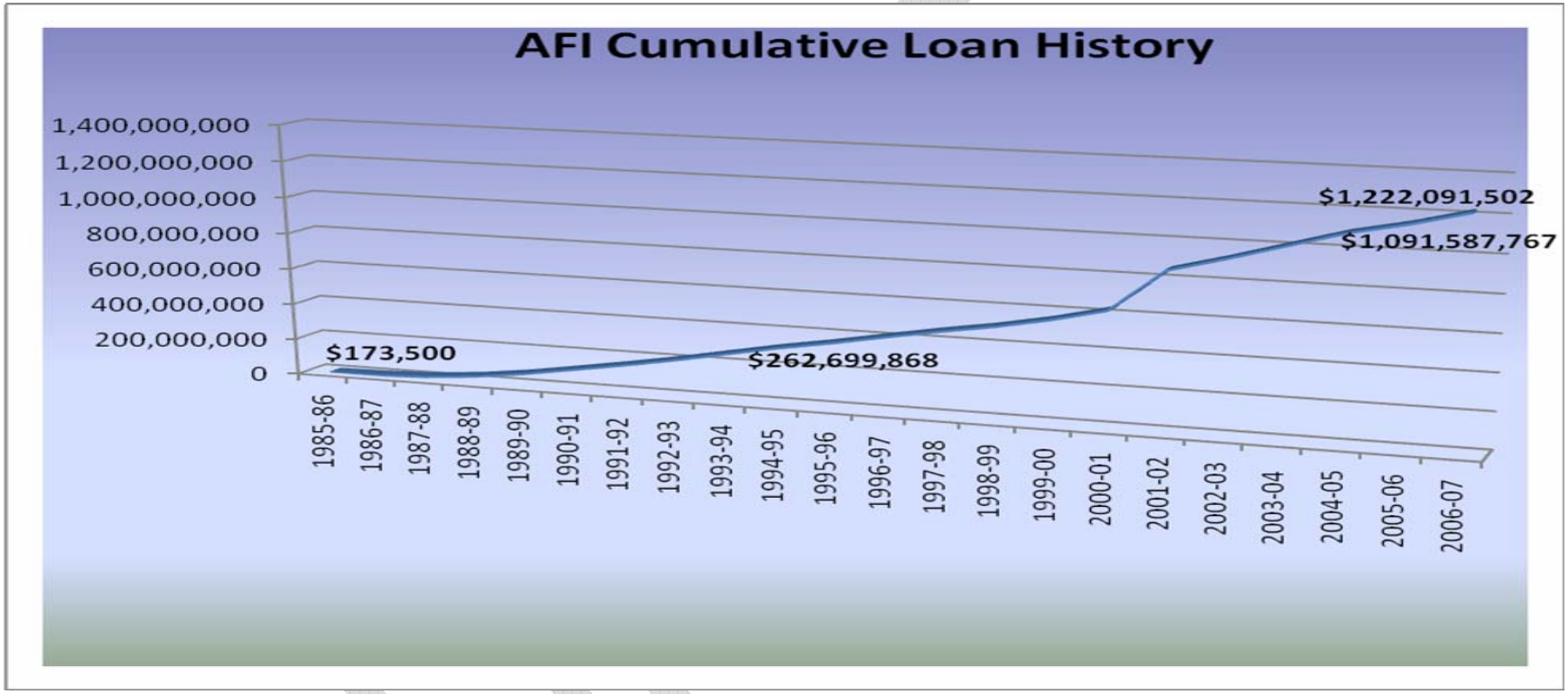
Dollars of Cumulative AFI Loans

In their first 10 years AFI loans totaled $315,187,128. In the last 10 years AFI loans have totaled $ 765,279,910.



Factors likely influencing the high rate of business loan take-up of from AFIs are:

- The Access to Capital (ATC) initiative. The sharp incline since 2000-01 coincides with implementation of ATC
- AFIs are governed by Boards comprised of a majority of Aboriginal business leaders completely familiar with the challenges faced by Aboriginal people
- AFIs are 67% staffed by Aboriginal people fully familiar with the nuances of Aboriginal business ownership both on and off Reserves and settlements. AFI management and staff have developed a "know how" not shared by conventional peers
- Mainstream competition for Aboriginal developmental business loans does not exist. Aboriginal businesses require small amounts, are often in remote areas, are high risk, and therefore not within the risk parameters of conventional lenders

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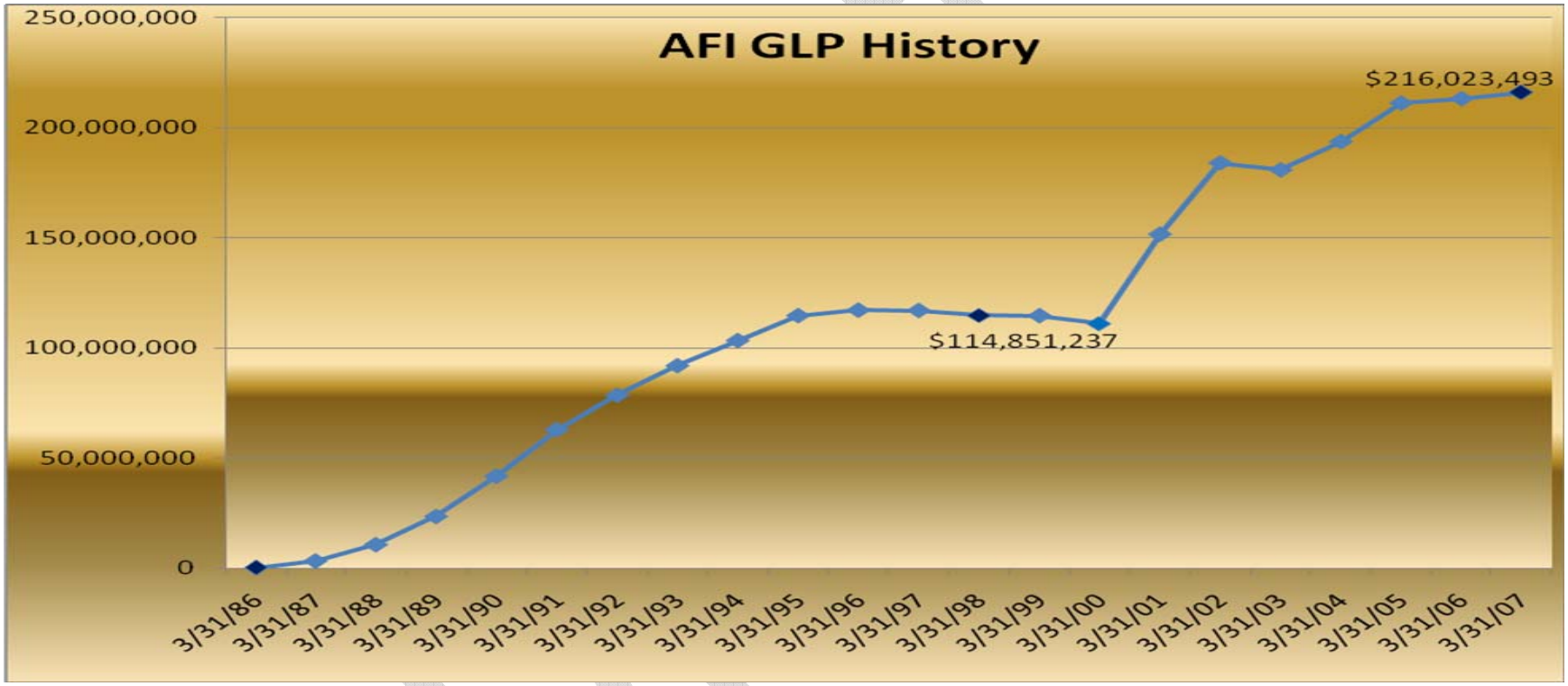
AFI Gross Loan Portfolio Growth History

AFIs are now recognized as the "number one" go to organizations for Aboriginal small businesses. Significant factors influencing GLP growth appear to be: the strength of the overall Canadian economy, ATC programming, and an increasing level of AFI expertise as a result of AFI experience in the market place.



The Larger Region (LR) AFI GLP totaled $127,455,851 (59.00%) of the total GLP) and the Smaller Region (SR) AFI GLP totaled $88,567,642 (41%) of the total GLP. The fiscal 2007 average LR AFI GLP was $7,080,881 (2006 $7,063,066) and the average SR AFI GLP was $2,683,868 (2006 $2,532,494).

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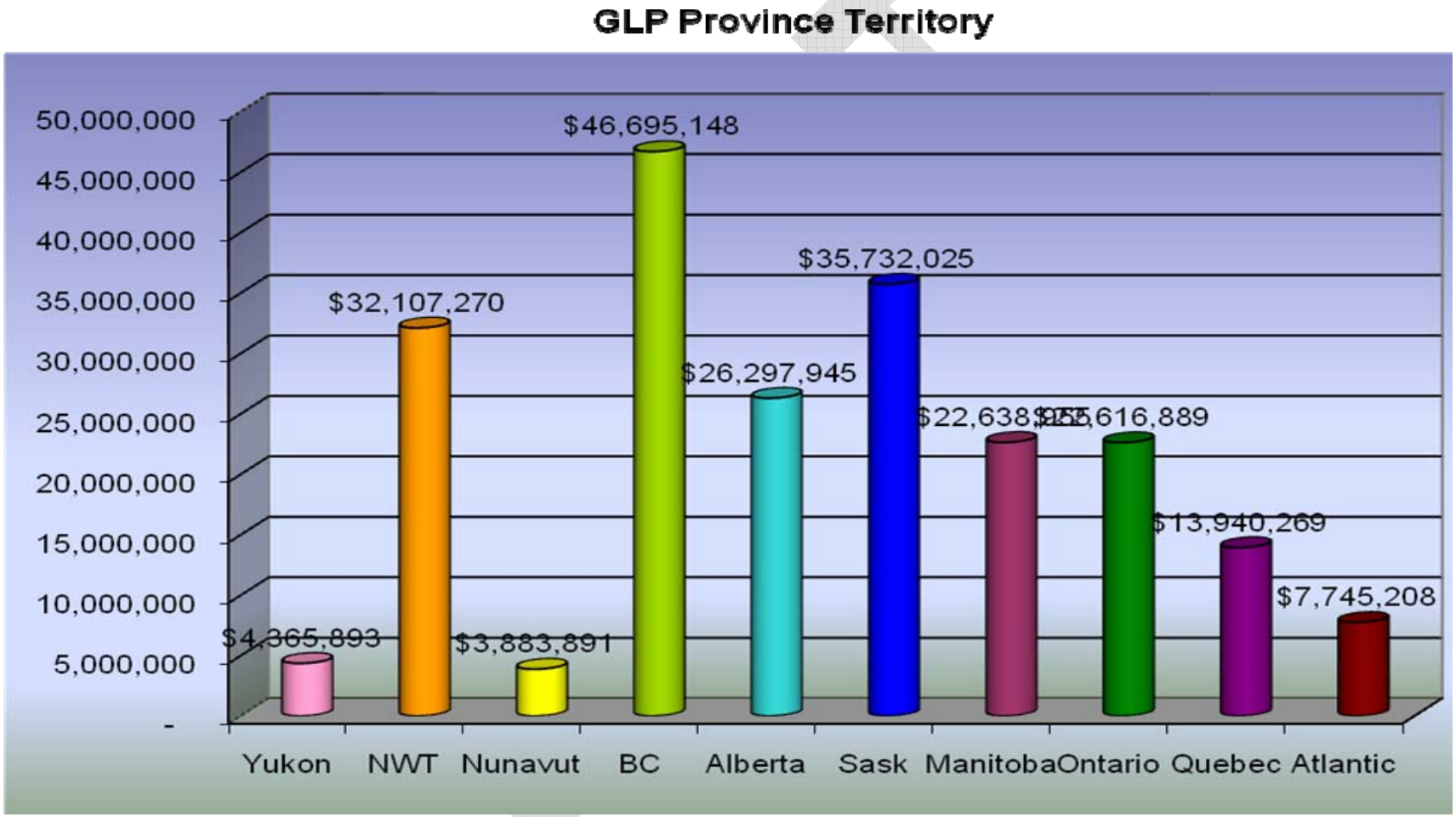
2007 AFI Gross Loan Portfolio by Province/Territory

AFI loans are evident in all Provinces and Territories.



Note: 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.

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Average SR and LR AFI Financial Results

Fiscal 2007 audited financial statement results have been categorized into SR and LR AFIs.

53 audited AFI financial statements were consolidated[3] to produce AFI data relating to financial performance[4].

The SR AFI group has been consistently more profitable than LR AFI group. The SR AFI group was collectively profitable in seven of the last eight years.

The LR AFI group was collectively unprofitable in each of the last eight years.

			% SR AFIs	% SR AFIs	% LR AFIs	% LR AFIs
Fiscal Year	All SR AFIs	All LR AFIs	Profitable	Unprofitable	Profitable	Unprofitable
2000 $ Profit (loss)	49,270	(1,042,687)	64%	36%	42%	58%
2001 $ profit (loss)	1,100,064	(424,908)	58%	42%	44%	56%
2002 $ profit (loss)	3,861,490	(2,851,318)	56%	44%	37%	63%
2003 $ profit (loss)	1,788,597	(2,540,284)	61%	39%	47%	53%
2004 $ profit (loss)	(1,495,250)	(2,481,887)	42%	58%	39%	61%
2005 $ profit (loss)	1,756,121	(3,153,213)	48%	52%	39%	61%
2006 $ profit (loss)	2,052,638	(4,888,879)	51%	49%	56%	44%
2007 $ profit (loss)	5,802,082	(93,683)	52%	48%	50%	50%
Eight year average	2,238,189	(1,828,549)				

[3] It must be noted not all AFIs use identical revenue and expense category terms/phrases. Some discretion was therefore necessary to consolidate the financial results.

[4] Although only a minority of AFIs now do so, financial reporting of both program revenues and expenses by way of separate schedules, appears to be an emerging trend among AFIs.

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Revenues

Fiscal 2007 revenue and expense line items have been reflected as a percentage of the gross loan portfolio.

	Average Unprofitable SR AFI		Average Profitable SR AFI		Average Unprofitable LR AFI		Average Profitable LR AFI	
Assets	**3,062,888**		**6,088,551**		**8,762,112**		**9,655,867**	
Loans advanced during year	**590,022**		**1,109,207**		**3,491,226**		**2,054,191**	
Gross Loan Portfolio	**2,124,138**		**3,210,673**		**7,586,552**		**6,575,209**	
Revenues		**% GLP**		**% GLP**		**% GLP**		**% GLP**
Net Interest - loans	113,313	5.33%	488,870	15.23%	539,914	7.12%	510,413	7.76%
Bad debt recoveries	6,167	0.29%	3,204	0.10%	0	0.00%	21,028	0.32%
Interest on deposits	62,467	2.94%	93,732	2.92%	58,358	0.77%	105,562	1.61%
Fee and misc. income	52,304	2.46%	18,616	0.58%	83,280	1.10%	133,333	2.03%
Subtotal loan portfolio income	***234,350***	***11.02%***	***604,422***	***18.83%***	***676,552***	***8.99%***	***770,336***	***11.71%***
Operating subsidies	258,564	12.17%	192,583	6.00%	53,148	0.70%	131,849	2.01%
Program revenue	656,371	30.90%	439,021	13.67%	171,388	2.26%	660,691	10.05%
Other	63,797	3.00%	229,051	7.13%	44,960	0.59%	84,765	1.29%
Subtotal - other income	***978,732***	***44.07%***	***861,595***	***26.80%***	***269,496***	***3.55%***	***877,305***	***13.34%***
Total revenue	**1,212,983**	**57.10%**	**1,465,076**	**45.63%**	**951,048**	**12.54%**	**1,647,641**	**25.06%**

In 2007 unprofitable SR AFIs derived 19.32% of their total revenue from self generating sources (loan interest, recoveries, interest on deposits and fees) and 80.68% of their total revenue through government driven initiatives (operating subsidies, program delivery and management of specific projects). Profitable SR AFIs derived 41.25% of their total revenue from self generating sources (loan interest, recoveries, interest on deposits and fees) and 58.75% of their total revenue through government driven initiatives (operating subsidies, program delivery and management of specific projects).

In 2007 unprofitable LR AFIs derived 71.13% of their total revenue from self generating sources (loan interest, recoveries, interest on deposits and fees) and 28.87% of their total revenue through government driven initiatives (operating subsidies, program delivery and management of specific projects). Profitable LR AFIs derived 46.75% of their total revenue from self generating sources (loan interest,

recoveries, interest on deposits and fees) and 53.25% of their total revenue through government driven initiatives (operating subsidies, program delivery and management of specific projects).

The average profitable SR and LR AFI groups possess a larger asset base and earn a higher return of loan related income on their gross loan portfolios and ancillary cash than unprofitable AFIs. Even though unprofitable SR AFIs received a greater proportion of other income (in both real dollars and as a percentage of their GLP) than their profitable counterparts they remained unprofitable. It would therefore appear:

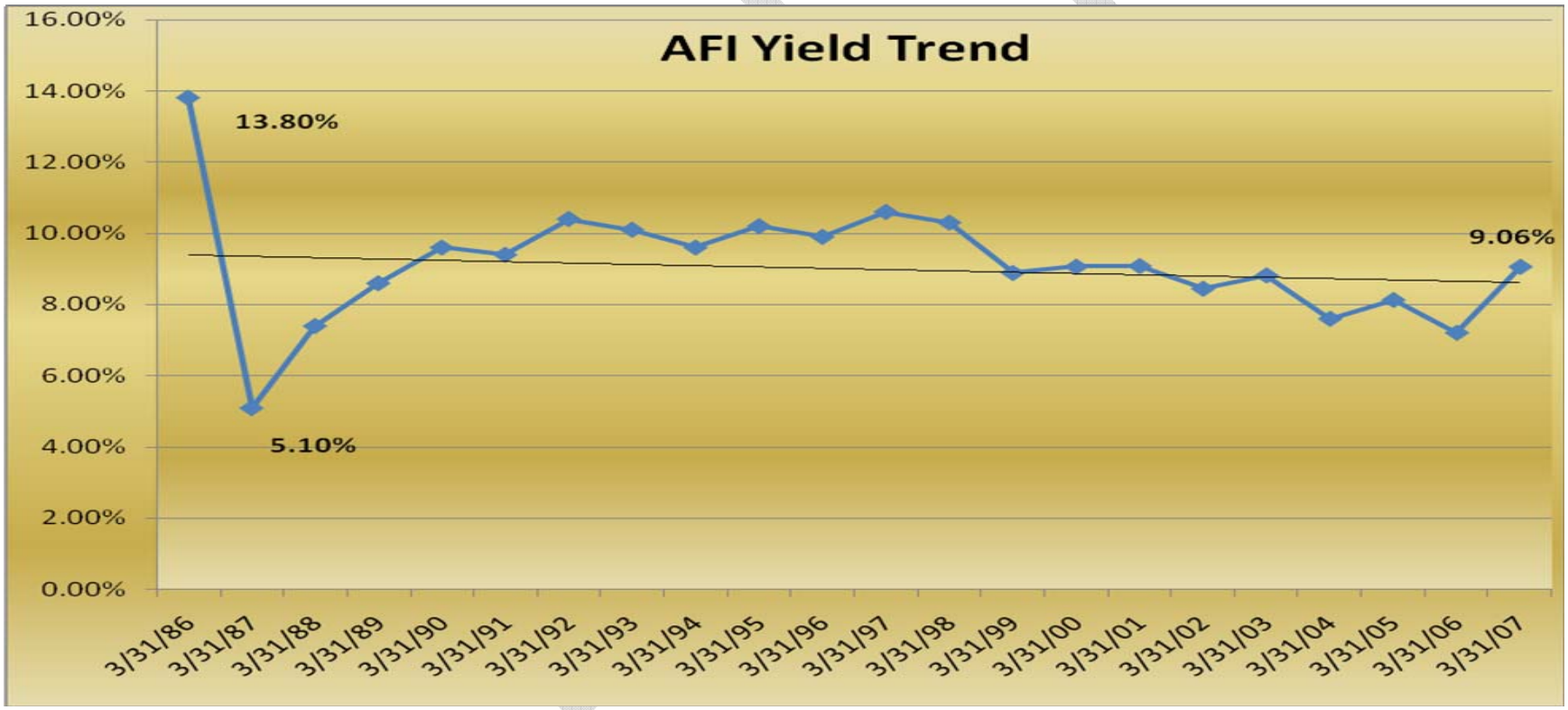
1. The magnitude of an AFI’s asset base appears to bear a fundamental correlation to its potential for profitability;
2. the adequacy of ongoing financial support and the terms and conditions associated with their provision requires review, and may require adjustments;
3. the adequacy of AFI remuneration for the delivery of programs and other projects requires review, reconciliation and perhaps adjustments, to offset associated costs AFIs are incurring;
4. The introduction of the RPO initiative will have a positive impact on AFI profitability as it is an activity/cost based initiative.

"REPAYMENTS APPROACHING $1 BILLION"

Interest Yields

The originally forecasted collective AFI yield of 12% was only achieved once in 1985-86, the first year of AFI operations.

The gross loan portfolio interest yield has been calculated utilizing net interest income measured against the gross loan portfolio. AFIs commonly charge interest rates in the 10% range however actual yields are influenced by default rates. Consequently the yield actually realized will always be somewhat lower than the average weighted interest rates charged on loans. The historical AFI yield trend is depicted in the chart below with the high, low and most current yield specifically identified. The effective interest rate yield on the AFI gross loan portfolio has remained fairly consistent throughout the years despite mainstream prime rate decreases.



"REPAYMENTS APPROACHING $1 BILLION"

Expenses

	Average Unprofitable SR AFI		Average Profitable SR AFI		Average Unprofitable LR AFI		Average Profitable LR AFI	
Assets	**3,062,888**		**6,088,551**		**8,762,112**		**9,655,867**	
Loans advanced during year	**590,022**		**1,109,207**		**3,491,226**		**2,054,191**	
Gross Loan Portfolio	**2,124,138**		**3,210,673**		**7,586,552**		**6,575,209**	
Expenses		**% GLP**		**% GLP**		**% GLP**		**% GLP**
Advertising & promotions	5,944	0.28%	18,744	0.58%	25,177	0.33%	30,096	0.46%
Collection expense	278	0.01%	4,048	0.13%	4,315	0.06%	8,853	0.13%
Communications	12,019	0.57%	10,006	0.31%	12,986	0.17%	21,901	0.33%
Depreciation/Amortization	8,497	0.40%	13,053	0.41%	32,745	0.43%	33,177	0.50%
Interest & Bank Charges	7,222	0.34%	5,057	0.16%	15,691	0.21%	24,652	0.37%
Meetings	25,158	1.18%	39,249	1.22%	74,011	0.98%	54,652	0.83%
Office & Administration	46,547	2.19%	50,355	1.57%	62,550	0.82%	83,086	1.26%
Premises costs	42,288	1.99%	25,669	0.80%	42,673	0.56%	49,643	0.76%
Professional fees	46,406	2.18%	53,660	1.67%	55,454	0.73%	65,066	0.99%
Provisions for loan losses	202,564	9.54%	68,088	2.12%	173,170	2.28%	(17,596)	-0.27%
Salaries	258,935	12.19%	292,359	9.11%	310,667	4.09%	474,820	7.22%
Training & development	5,251	0.25%	6,534	0.20%	17,003	0.22%	3,423	0.05%
Travel	45,897	2.16%	33,239	1.04%	45,828	0.60%	43,401	0.66%
Program expense[5]	651,269	30.66%	337,466	10.51%	154,126	2.03%	520,929	7.92%
Other	5,420	0.26%	24,405	0.76%	137,278	1.81%	49,324	0.75%
Total expenses	**1,363,694**	**64.20%**	**981,932**	**30.58%**	**1,163,673**	**15.34%**	**1,445,425**	**21.98%**
Net Income	**(150,710)**	**-7.10%**	**483,144**	**15.05%**	**(212,624**	**-2.80%**	**202,215**	**3.08%**

All expense percentages relate to the respective AFI group's gross loan portfolio. Comments are provided below for only expense items that vary by more than .5% across the AFI geographic spectrum.

[5] Although a trend appears to be developing the majority of AFIs do not report program delivery expenses on a separate schedule.

Office and administration (averages)

Most AFIs expend approximately $50k per year (from .82% to 2.19% of GLP) on office and administrative expenses. Profitable LR AFIs however spend an average of $83k on office and administration costs although only 1.26% in relation to their GLP.

Premises costs (averages)

Premises costs range between $25k and $50k (from .56% to 1.99% of related GLPs).

Professional fees (averages)

Professional fees range from $46K to $65k (from .73% to 2.18% of respective GLPs).

Provisions for loan losses (averages)

A consistent methodology for all AFIs to estimate loan loss allowances has not been universally adopted by AFIs.

Some AFIs have policies stipulating a certain percentage of the gross loan portfolio is to be set aside as a loan loss reserve. Some AFIs perform an analysis on delinquent loans to identify specific potential losses. Others use a combination of reviewing delinquent loans to identify specific losses and adding an additional percentage as a general provision.

Canada’s banking system uses a five year rolling average specific loan loss provision, reflected as a percentage of loans it advances each year, to ameliorate wide profitability swings from year to year. In a perfect lending world specific loan loss provisions expressed as a percentage of loans advanced in a given year and loan loss reserves expressed as a percentage of the gross loan portfolio, would always equal.

The rolling five year average AFI loan loss reserve, in relation to the AFI GLP, is 16.61% as of March 31, 2007.

The five year rolling average for smaller region AFIs for the period ending March 31, 2007 is 23.14%.

"REPAYMENTS APPROACHING $1 BILLION"

The SR unprofitable AFI group has a 24.57% loan loss reserve set up against its GLP and recorded a loan loss provision of 34.33% of the loans it advanced during fiscal 2007. The provision expense for the year would therefore appear adequate.

The SR profitable AFI group has a loan loss reserve of 12.09% set up against its GLP and recorded a loan loss provision expense of 6.14% in relation to total loans advanced during fiscal. The SR profitable group may not be adequately recognizing the potential for loan losses for two apparent reasons. First, the loan loss reserve set aside at 12.09% is less than the 23.14% five year rolling average for SR AFIs. Second, the SR profitable AFI group loan loss provision at 6.14% of loans advanced is significantly lower than the five year rolling average loan loss reserve of 23.14% for SR AFIs. Either risk measurement and mitigation methods have improved, or some of the SR profitable AFIs have underestimated loan loss provisions in 2007.

The five year rolling average LR AFIs for the period ending March 31, 2007 is 15.16%.

The LR unprofitable AFI group has a 14.89% loan loss reserve set up against its GLP and has recorded a loan loss provision of 4.96% of the loans it advanced during fiscal 2007. Either risk measurement and mitigation methods have improved, or some of the LR unprofitable AFIs may not have adequately recognized the potential for loan losses. The loan loss provision at 4.96% of loans advanced in fiscal 2007 is significantly lower than the five year rolling average loan loss reserve of 15.16% for LR AFIs.

The LR profitable AFI group has a loan loss reserve of 9.71% set up against its GLP and recorded a loan loss provision credit of .86% in relation to total loans advanced during fiscal 2007. Either risk measurement and mitigation methods have improved, or some of the LR profitable group may not have adequately recognized the potential for loan losses for two apparent reasons. First, the loan loss reserve set aside at 9.71% is significantly less than the five year rolling average of 15.16% for LR AFIs. Second, the loan loss provisions at a .86% credit of loans advanced is significantly lower than the five year rolling average of 15.16% for LR AFIs.

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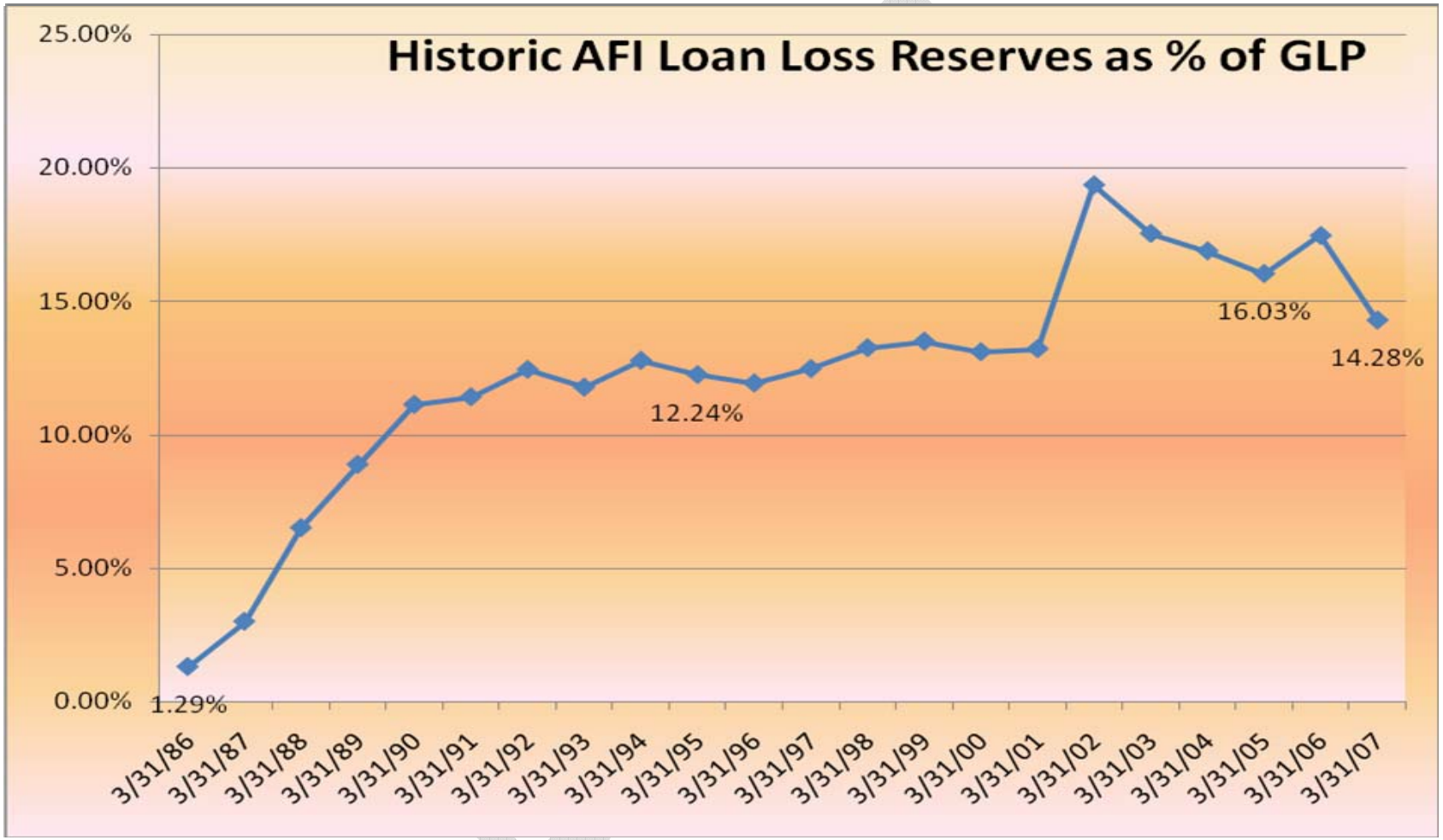
Loan Loss Reserves in relation the overall AFI gross loan portfolio are 14.28% as of March 31, 2007 (17.46% in 2006). Ten year milestones along with the most recent year end are depicted in the chart below. The five year rolling average is 16.61%.

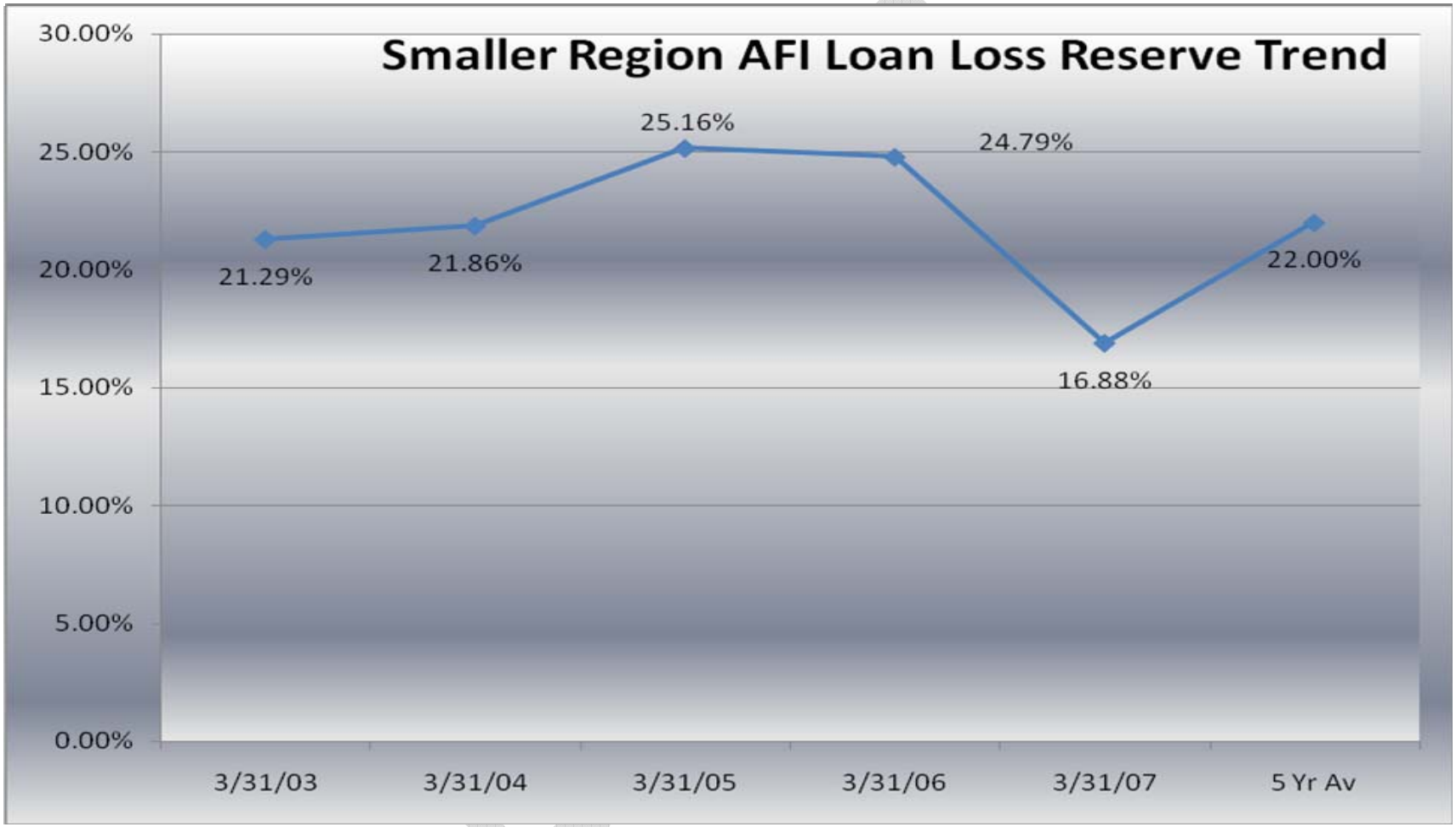


"REPAYMENTS APPROACHING $1 BILLION"

Loan Loss Reserves for the average LR AFI is 14.26% for March 31, 2007. The five year rolling average LR AFIs for the period ending March 31, 2007 is 15.16%.

"REPAYMENTS APPROACHING $1 BILLION"

Loan Loss Reserves for the average SR AFI is 16.88% as of March 31, 2007. The five year rolling average for smaller region AFIs for the period ending March 31, 2007 is 22.00%.



Salaries

In dollars salaries represent:

- the second highest expense category, exceeded only by program expense, for both profitable and unprofitable SR AFIs
- the highest expense category for unprofitable LR AFIs
- the second highest expense category, exceeded only by program expense, for profitable LR AFIs

As of March 31, 2007 AFIs employed a total of 363 people (346 in 2006). A 2007 NACCA survey revealed 67% of AFI employees are of Aboriginal decent.

SR AFIs employed 203 staff (200 in 2006) while LR AFIs employed 154 staff (140 in 2006).

The table below summarizes staffing of SR and LR profitable and unprofitable AFIs as of March 31, 2007.

2007	SR Average	SR Profitable	SR Unprofitable	LR Average	LR Profitable	LR Unprofitable
Average # loans o/s	70	74	65	132	132	133
Average loan balance	$38,374	$43,182	$32,554	$53,530	$49,812	$57,233
Average GLP	$2,683,868	$3,210,673	$2,124,138	$7,080,881	$6,575,209	$7,586,552
Account Managers	1.61	1.88	1.31	2.19	2.17	2.22
BSOs	0.61	0.76	0.44	1.31	1.94	0.67
Loan Support Staff	1.90	2.37	1.41	2.30	2.42	2.19
Total Staff	6.16	5.87	6.47	8.56	8.76	8.36
Loans/Account Manager	43.55	36.75	49.71	60.28	68.96	73.30

It appears profitable AFIs (both SR and LR) have higher levels of Account Manager and Business Services Officer (BSO) staffing than unprofitable AFIs.

Program expense

Program revenues are generally identified in distinct AFI revenue categories.

However, the majority of related program expenses are not identified by way of separate expense schedules. The frequency among AFIs to identify individual program revenues and expenses by way of separate schedules is however slowly increasing and for this reason program expenses were assigned a specific expense category.

Delivery of government programs enables AFIs to recover some operating costs. It also provides an economical alternative for government to deliver its programming through an established AFI Nation Wide network. Conversely, it is arguable that the delivery of government programs detracts AFIs from the business of developmental lending. It is also debatable whether or not AFIs are adequately compensated for delivering government programming. It would appear prudent for AFIs not now recording program delivery revenues and expenses on separate schedules, to consider doing so.

Program delivery expenses represented the highest expense category for all SR AFIs as well as the highest expense category for profitable LR AFIs. For unprofitable LR AFIs, program expense was the third highest expense category preceded only by wages and the provisions for loss expense.

Travel

The SR unprofitable AFI travel expense was 40.48% higher than the SR profitable AFI group while both profitable and unprofitable LR AFIs travel costs were at similar levels. Further analysis supported by data not currently on hand would be required to determine the reasons for the unprofitable SR region travel variance.

Other

Other relates primarily to specific projects undertaken by AFIs from time to time. Accordingly, the other expense category can yield significant differences between AFI groups depending on the volume of projects individual AFIs manage.

General Note

The remaining expense categories did not reflect the most significant AFI expense variances from group to group categories and have not been specifically commented on. Such expenditures were recorded for comparison and individual AFI analytical purposes.

"REPAYMENTS APPROACHING $1 BILLION"

Actions to be considered

- Continue the ATC initiative in light of positive impacts it has produced e.g. 78% increase in annual loan volumes and a 96% increase in GLP – since introduction of the ATC initiative

- Implement the Risk Premium Offset initiative for all AFIs as expediently as possible to enable AFI developmental lending cost recovery and preserve the eroding AFI loan capital base

- Design and implement a BSO subsidy program for all AFIs demonstrating a need based on existing and annual new client loads

- Proceed with a review of the potential to establish regional AFI loan syndication pools. Regional AFI loan syndication pools would serve to strengthen the AFI network's financial viability and broaden the AFI network's impact on the overall Aboriginal small business

- Improve the coordination of federal departments and provincial counterparts to synergize initiatives at both levels of government

- Contemplate the establishment of a one central unit to manage national AFI initiatives. The current method of dealing with AFIs on a regional office basis has resulted in substantial inequities from region to region which were brought to light in the 2007 NACCA survey of AFIs e.g. Manitoba AFIs ranked support from ABC regional offices the highest while BC and Ontario regional offices were ranked lowest

- Plan, establish and clearly communicate, eligibility requirements and processes for AFI capital top ups, concurrently identifying required resources. The current method of inviting only certain AFI top up applications and distributing budget remnants near the end of each fiscal year is neither transparent nor fair in light of the poor relationships between some regional offices and some AFIs that are unable to have their phone calls returned or email messages responded to by regional managers.

"REPAYMENTS APPROACHING $1 BILLION"

Appendix A 2007 Balance Sheets

Assets	**All AFIs Total**	**SR Prof Av AFI**	**SR Unprofitable Av AFI**	**LR Prof Av AFI**	**LR Unprofitable Av AFI**
Cash & term	104,052,595	2,867,272	947,037	2,629,680	1,852,309
Accrued Interest	3,154,950	38,751	18,953	169,588	74,070
Accounts receivable	19,392,477	255,907	394,633	662,941	238,875
Collateral & Loans - Net	185,165,926	2,822,530	1,602,332	5,936,680	6,457,277
Other	434,376	15,408	2,957	8,148	3,356
Capital assets	6,664,534	88,682	96,976	248,829	136,225
Total Assets	**320,593,932**	**6,088,551**	**3,062,888**	**9,655,867**	**8,762,112**
Liabilities					
Payables	11,026,195	154,245	229,684	304,168	142,898
Other (includes credit lines)	3,538,239	28,351	30,812	202,142	82,667
Deferred revenue	3,229,660	72,582	30,429	83,664	45,358
Long term debt	16,766,178	532,967	407,694	35,683	95,722
Equity					
Equity Capital	20,532,877	18	0	363,838	1,917,559
Contributed surplus	270,655,247	4,383,605	2,439,325	9,255,857	8,171,497
Surplus -Deficit	(5,154,464)	916,784	(75,057)	(589,485)	(1,693,588)
Total liabilities & Equity	**320,593,932**	**6,088,551**	**3,062,888**	**9,655,867**	**8,762,112**

"REPAYMENTS APPROACHING $1 BILLION"

Appendix B 2007 Income Statements

Revenue	All AFIs Total	SR Prof Av AFI	SR Unprofitable Av AFI	LR Prof Av AFI	LR Unprofitable Av AFI
Interest on loans & investments	19,576,743	488,870	113,313	510,413	539,914
Provision for losses: Interest	0	0	0	0	0
Net Interest on loans	19,576,743	488,870	113,313	510,413	539,914
Recovery on loans & interest	342,388	3,204	6,167	21,028	0
Interest on investments	4,086,310	93,732	62,467	105,562	58,358
Fee and misc. income	3,109,081	18,616	52,304	133,333	83,280
Operating subsidies	9,075,898	192,583	258,564	131,849	53,148
Program revenue	27,337,085	439,021	656,371	660,691	171,388
Other	6,082,146	229,051	63,797	84,765	44,960
Total revenue	**69,609,651**	**1,465,076**	**1,212,983**	**1,647,641**	**951,048**
Expenses					
Advertising & promotions	959,876	18,744	5,944	30,096	25,177
Collection expense	191,788	4,048	278	8,853	4,315
Communications	705,722	10,006	12,019	21,901	12,986
Depreciation/Amortization	970,050	13,053	8,497	33,177	32,745
Interest & Bank Charges	565,783	5,057	7,222	24,652	15,691
Meetings	2,257,737	39,249	25,158	54,652	74,011
Office & Admin	3,064,075	50,355	46,547	83,086	62,550
Premises costs	2,047,017	25,669	42,288	49,643	42,673
Professional fees	2,750,159	53,660	46,406	65,066	55,454
Provision for losses	5,798,677	68,088	202,564	(17,596)	173,170
Salaries	16,463,867	292,359	258,935	474,820	310,667
Training & development	410,365	6,534	5,251	3,423	17,003
Travel	2,196,089	33,239	45,897	43,401	45,828
Program expense	23,387,680	337,466	651,269	520,929	154,126
Other	2,142,872	24,405	5,420	49,324	137,278
Total expenses	**63,911,757**	**981,932**	**1,363,694**	**1,445,425**	**1,163,673**
Net Income	**5,697,894**	**483,144**	**(150,710)**	**202,215**	**(212,624)**

"REPAYMENTS APPROACHING $1 BILLION"

Appendix C 2007 Loan Data

Loan data	All AFIs Total	SR Prof Av AFI	SR Unprofitable Av AFI	LR Prof Av AFI	LR Unprofitable Av AFI
Cumulative loans provided by $	1,227,705,748	11,909,258	9,406,766	37,111,382	59,039,200
Cumulative loans provided by #	30,520	358	287	994	1,059
Historical loans w/o #	4,259	45	86	118	117
Historical loans w/o $	77,125,321	708,689	851,332	3,393,539	2,323,826
% loans w/o by #	13.95%	12.47%	30.14%	11.90%	11.05%
% loans w/o by $	6.28%	5.95%	9.05%	9.14%	3.94%
# of loans to startup businesses in year	519	8	6	17	13
$ of loans to startup businesses in year	20,478,836	344,973	196,557	776,600	497,777
# of new loans to existing businesses in year	587	8	11	10	19
$ of new loans to existing businesses in year	25,315,908	493,235	400,061	711,704	458,289
Total # of all loans provided during year	1,390	23	19	34	43
Total $ of all loans provided during year	81,364,335	1,109,795	724,176	2,054,191	3,602,588
Accumulated loss provisions $	32,412,940	388,143	619,017	638,529	1,129,275
Accumulated loss provisions % of GLP	14.90%	12.09%	27.87%	9.71%	14.89%
# loans Outstanding	4,601	69	65	132	133
Net loan portfolio	185,165,926	2,822,530	1,602,332	5,936,680	6,457,277
Gross Loans Portfolio	217,578,866	3,210,673	2,221,348	6,575,209	7,586,552
Average loan amount	47,289	46,413	34,044	49,812	57,233
Gross interest yield on GLP	9.15%	15.33%	5.38%	8.08%	7.12%
Days Interest Accrual	59	29	61	121	50

"REPAYMENTS APPROACHING $1 BILLION"

Appendix D 2007 Staffing Data

AFI Staff	All AFIs Total	SR Prof Av AFI	SR Unprofitable Av AFI	LR Prof Av AFI	LR Unprofitable Av AFI
# loan officers	92.50	1.88	1.31	2.17	2.22
# of loan support employees	108.25	2.37	1.41	2.42	2.19
# Total employees	363.30	5.87	6.47	8.76	8.36
# of loans per loan officer	49.74	36.75	49.71	60.92	59.65
# of loans per all loan employees	22.92	16.27	24.00	28.80	30.05
$ of loans per loan officer	2,352,204	1,705,670	1,692,456	3,034,712	3,413,948
$ of loans per all loan employees	1,083,830	754,930	817,048	1,434,591	1,719,873
Ideal Loan officers	68.67	1.03	0.97	1.97	1.98
Additional Loan officers	(23.83)	(0.85)	(0.34)	(0.20)	(0.24)
Ideal BSOs Pre care	30.75	0.50	0.42	0.76	0.96
Ideal BSOs Aftercare	29.49	0.44	0.42	0.85	0.85
BSOs now on staff	43.50	.61	.44	1.94	.67
Total Additional BSOs	16.75	0.18	0.40	(0.34)	1.14
Ideal Loan support staff	56.80	0.85	0.81	1.63	1.64
Total Additional loan support staff	51.45	1.52	0.60	0.79	0.55
Total Loan officer, loan support & BSO	44.36	0.85	0.66	0.25	1.45

Appendix E 2007 Operational Data

Operational Data	All AFIs Total	SR Prof Av AFI	SR Unprofitable Av AFI	LR Prof Av AFI	LR Unprofitable Av AFI
Bad debt recovery as % Rev	0.49%	0.22%	0.51%	1.28%	0.00%
Fee Rev as % of total rev	4.47%	1.27%	4.31%	8.09%	8.76%
Loan Interest as % of total Rev	28.12%	33.37%	9.34%	30.98%	56.77%
Program Rev as % of total Rev	39.27%	29.97%	54.11%	40.10%	18.02%
Revenue- % of total Assets	21.71%	24.06%	39.60%	17.06%	10.85%
Expenses %of Total Revenue	91.81%	67.02%	112.42%	87.73%	122.36%
Expenses per Loan	13,891	14,195	20,900	10,950	8,779
% Expenses of Net Loan Portfolio	34.52%	34.79%	85.11%	24.35%	18.02%
Net Profit as % of Revenue	8.19%	32.98%	-12.42%	12.27%	-22.36%
Net Profit as % of Total Assets	1.78%	7.94%	-4.92%	2.09%	-2.43%
Restated CODL %	24.73%	19.89%	32.36%	24.68%	24.64%
CODL per outstanding loan	6,627	4,537	9,862	5,303	7,147
Liquidity					
Loan Capital Contributions	207,477,931	2,485,263	2,140,031	8,004,774	6,549,444
Total Assets % Loan Capitalization	154.52%	244.99%	143.12%	120.63%	133.78%
Liquid cash	97,735,026	(122,469)	(181,856)	(273,262)	(27,546)
Undeployed Loan Capital Contributions	(15,255,399)	191,374	(156,374)	840,080	(2,730,696)
Government loan capital liquidity	-7.01%	0.00%	0.00%	0.00%	0.00%
Loan Loss Reserve as % of NLP	17.50%	13.75%	38.63%	10.76%	17.49%
Current years provision as % of loans advanced	7.13%	6.14%	27.97%	-0.86%	4.81%
Self sufficiency					
Operational efficiency	0.99	1.73	0.52	1.18	0.73
Financial self sufficiency	0.80	1.42	0.64	0.69	0.55

"REPAYMENTS APPROACHING $1 BILLION"

Appendix F 2007 Loan Capital Data

Loan Capital	All AFIs Total	SR Prof Av AFI	SR Unprofitable Av AFI	LR Prof Av AFI	LR Unprofitable Av AFI
Loan Capital Absorption Rate	591.73%	479.20%	439.56%	463.62%	901.44%
Net return on loan capital contributions	690.91%	559.32%	466.16%	491.97%	964.13%
ABC Capital available for loans	(20,825,348)	111,524	(313,006)	650,482	(2,730,696)
Leverage					
Client equity	8,150,753	210,203	133,055	158,150	113,897
Government contributions	8,732,830	121,785	222,918	234,623	109,355
Conventional lenders	6,328,935	223,423	88,463	93,371	30,556
Other AFI Network lenders	5,829,777	253,178	95,359	0	0
Total leveraged	**29,042,295**	**808,589**	**539,795**	**486,144**	**253,807**

"REPAYMENTS APPROACHING $1 BILLION"

Appendix G Smaller and Larger Geographical Region AFI Listing

Smaller Region AFIs	Smaller Region AFIs continued	Larger Region AFIs
1. ABDC	**28. TDC**	**1. ACDF**
2. AMCC	**29. TRCDC**	**2. AIIC**
3. BBCDS	**30. TRICORP**	**3. AMDI**
4. BBDC	**31. VNCFDC**	**4. ANTCO**
5. BLNDC	**32. Wakenagun**	**5. DNV**
6. BRCFDC	**33. Waubetek**	**6. FNALA**
7. CCDF		**7. IBC**
8. CDEM		**8. IAPO**
9. CIFN		**9. LRCC**
10. CLCFDC		**10. MDDF**
11. Deh Cho		**11. NADF**
12. DOCFDC		**12. OCC**
13. DRCFDC		**13. SIC**
14. EEYOU		**14. SIEF**
15. HG		**15. SNEDCO**
16. KA		**16. SOCCA**
17. KCFDC		**17. TWCC**
18. NCDC		**18. UDG**
19. NEF		
20. NEDC		
21. NFA		
22. SCFDC		
23. STO:LO		
24. T7EDC		
25. TACC		
26. TBLF		
27. TBDS		