NACCA

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION

A PORTRAIT OF ABORIGINAL FINANCIAL INSTITUTIONS

FISCAL 2012

PROVIDING ACCESS TO CAPITAL PROGRAMMING AND SUPPORT TO

ABORIGINAL OWNED SMALL BUSINESSES

Prepared by NACCA

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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
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
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
LLR	Loan Loss Reserve
LR	Larger Region
MFI	Micro Financial Institution
NACCA	National Aboriginal Capital Corporations Association
NACSI	National Aboriginal Contractors Support Incorporated
NEDP	Native Economic Development Program
PAR	Portfolio-At-Risk
RA	Rolling Average
SR	Smaller Region
S&T	Support & Training
SME	Small to Medium Enterprise
TEA	The Exceptional Assistant.

Section I AFI Highlights

2012 AFI Economic Impact

- ✓ $280 million primary economic impact on the economy
  - $122 million via 1,395 loans
  - $80 million leveraged dollars
  - $37 million AFI operational expenses
  - $41 million flowed through AFIs ($33 million in program and $8 million in project dollars)
- ✓ 565 start-up business loans generated 1,266 new jobs for an average of 2.24[1] fulltime equivalent (FTE) jobs per start-up business loan
- ✓ 755[2] expansion loans to existing businesses maintaining\creating 2,869 full time equivalent jobs for an average of 3.80 FTE jobs created\maintained per AFI loan. By extension in the range of 15,000[3] FTE jobs are estimated to be supported by consolidated AFI portfolio

2012 AFI Portfolio Management

- ✓ 4,173 loans in consolidated loan portfolio of 53 active AFIs
- ✓ $295 million consolidated loan portfolio of 53 active AFIs
- ✓ 6.49% average interest yield on consolidated loan portfolio of 53 active AFIs
- ✓ Contractual delinquency data from 43 AFIs (81.13% of active AFIs) indicates 86.99% of loans in the consolidated gross loan portfolio are up to date. Contractual delinquency is reported as follows:
  - 1-30 day arrears 1.52%
  - 31-60 day arrears 0.75%
  - 61-90 day arrears 0.77%
  - over 90 day arrears 9.97%[4]
- ✓ The corresponding consolidated loan loss reserve is 8.29%
- ✓ Historical loan losses are 5.81%
- ✓ A total of 47 different AFIs accessed Support and Training programming to enhance internal AFI capacity in financial year 2012

2012 AFI Liquidity

- ✓ $335 million government contributed, repayable, and private loan capital has been sourced by AFIs
- ✓ 26% percent (14) of the 53 active lending AFIs have liquidity levels of 15.00% or less in relation to their gross loan portfolio

2012 AFI Profitability

- ✓ 24 or 45.28% of AFIs recorded a profit in 2012 (8 ACCs,10 ACFs, 4 ADLs and 2 dual ACC\ACFs)
- ✓ $2.5M consolidated profit
  - ($456k) consolidated ACFDC loss after loan loss provisions of $1.7 million
  - $4.0 M consolidated ADL profit after loan loss provisions $984k
  - ($1.1) M consolidated ACC loss after loan loss provisions $2.0 million
- ✓ $8,258 average expense per loan

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[1] Each part time and seasonal job was counted as 0.4 full time job equivalents (FTEs)

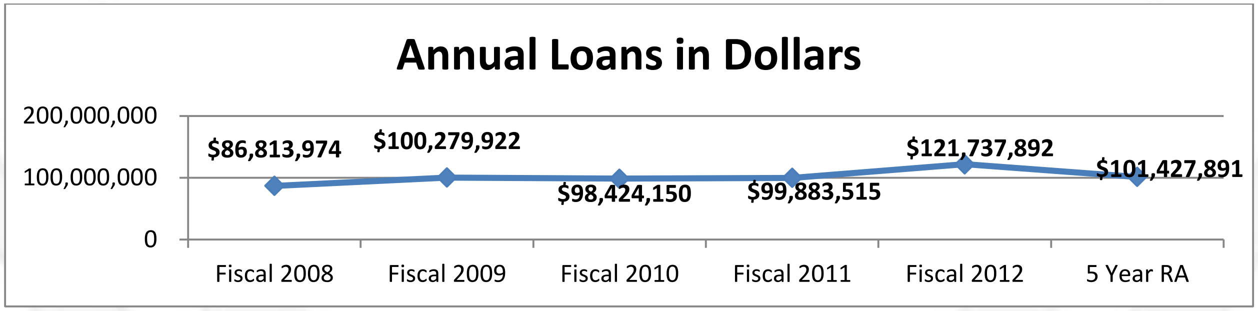
[2] Does not include 75 restructured loans to better improve security or match cash flows of businesses

[3] 4,173 loans in GLP comprised of 565 start-up loans X 2.24 FTEs=1,266 FTEs plus 3,608 loans to existing businesses X 3.80 FTEs=13,710 FTEs. Ergo 1,266+13,710=14,976 total FTEs

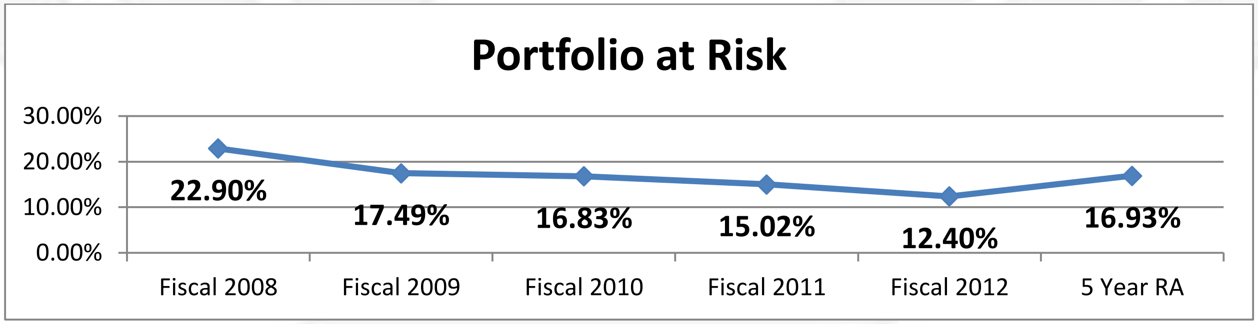
[4] Contractual aging based on extension of 43 AFI 2012 contractual delinquency reports

AFI Trends

Annual loan volumes are trending up. Prior to financial year 2009 annual loan volumes were in the $80 million range. Since 2009 annual volumes have been in the $100 million range.



The loan consolidated portfolio at Risk (90 days or more in arrears plus restructurings) is trending down.



Other improving risk management trends are also evident; loan loss provisions are trending down; reported contractual delinquency levels have decreased; the number of days accrued interest on the gross loan portfolio are declining.

Possible reasons are:

- AFI Business Services Officer guide\training developed with funding from Access to Capital Support & Training programming has given rise to in enriched pre-loan and post loan support for AFI clients
- AFI peer group statistical comparison data made available to AFI management each year for comparison purposes
- Some AFIs are altering risk tolerance levels
- A combination of the above

Section II Executive Summary

Background[5]

Aboriginal Financial Institution (AFI) is a collective term inclusive of:

- Aboriginal Capital Corporations (ACCs);
- Aboriginal controlled Community Futures Development Corporations\Centres (ACFDCs)
- Business Development Centres (BDCs);
- Privately capitalized Aboriginal Developmental Lenders (ADLs); and
- Aboriginal Business Development Centres (ABDCs).

Most AFIs were created in the late 1980s and 1990s by the federal government,[6] in consultation with Aboriginal leaders. AFIs were formed to overcome challenges encountered by the Indian Equity Development Fund (IEDF), a federal government program delivered by Indian and Northern Affairs Canada (AANDC), and by conventional lending institutions. These challenges included:

- Indian Act restrictions;
- Limited business management skills;
- Collection difficulties;
- Remoteness from mainstream financial institutions; and
- Risk tolerance levels inherent in regulated conventional lending institutions

AFIs, other than ABDCs[7], were created specifically to provide developmental loans and related business and community support services to developing Aboriginal entrepreneurs and communities.

In 1997, 22 ACCs voluntarily formed a member-owned association, the National Aboriginal Capital Corporations Association (NACCA), to further common ACC interests. In 1999, NACCA membership was opened to all AFIs. Today, the association has 48 members.

NACCA Board members are elected to represent Provincial, Territorial, Regional, and heritage groups by the NACCA member AFIs from each of the Provinces, Territories, or Regions.

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[5] A concise chronological AFI history is provided on pages 40 through 42 inclusive.
[6] With the exception of ADLs which were formed without federal government assistance.
[7] ABDCs proffer only business support services

AFI Successes

In the past 25 years AFIs have provided over 37,000 loans totalling $1.8 billion.[8] ***Over the course of the last decade, lending volumes have grown substantially with the AFI GLP expanding from $180 million to $295 million. In each of the last four years, AFIs provided loans in the range of $100 million.*** Historical loan losses of the 53 active AFIs have averaged 5.81% of historical loans. Since AFI inception thousands of long-lasting Aboriginal business enterprises have been formed. A 2003 third party study based on Revenue Canada filings revealed the five-year success rate of AFI-supported businesses was 58% versus a 33% mainstream norm at that time. AFIs are cost efficient job creation\maintenance mechanisms. A 2010 NACCA study[9] revealed a cost to government of $12,479 per job created/maintained. A 2012 three-year average indicates that 3.09 full-time equivalent jobs are created\maintained for each new AFI loan advance to an Aboriginal owned small business.

2012 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 used to measure benchmarked performance results.

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 five measures and a weight of 55, Activity with three measures and a weight of 25, Liquidity with one measure and a weight of 25 and lastly, Profitability with three measures and a weight of 30. The 2012 average of AANDC performance measures scores for AFIs is 127.58 (down marginally from 2011 which was 129.14) out of 200 points. The average ranking is “C” Mid-Tier.

The 2012 AANDC Performance Measure results are reflected in table 1 below as follows:

Ranking	A	B	C	D	Total
Number of AFIs	**1**	**18**	**12**	**20**	**51**
Percentage of total AFIs	2%	35%	24%	39%	100%

[8] Includes ACDF loans, historical loans provided by AFIs now deemed inactive.
[9] The full text of the “AFI Job Creation\Maintenance Cost Efficiencies” analysis is available from NACCA.

AFI GMs felt they would benefit from the use of a more inclusive performance measurement tool encompassing a 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, and used a 200-point weighted scale and the same definition of achievement as AANDC Performance Measures. The four categories GMs chose to measure were Portfolio Risk Management with nine measures weighted at 65, Loan Capital Utilization with six measures weighted at 50, Economic Impact with five measures weighted at 55, and Self-sufficiency with five measures weighted at 30. The 2012 average of GM performance measures score was 138.67 (up marginally from 2011 which was 137.26 out of 200). The average ranking was "C" Mid-Tier. Results are reflected in table 2 as follows:

Ranking	A	B	C	D	Total
Number of AFIs	**6**	**22**	**9**	**14**	**51**
Percentage of total AFIs	12%	43%	18%	27%	100%

Since the introduction of performance measures and NACCA's distribution of individual performance measure results to AFIs, notable improvements have occurred with respect to Loan Risk Management –refer AFI Trends page 6.

Discussions held during the on-going AANDC ABDP Program Renewal process, concluded the use of a Uniform Financial Institution Rating System (UFIRS) recognized internationally would be most beneficial in terms of attracting private capital. The CAMEL AFI rating system measures performance in five categories on a 200 point scale as follows:
Capital adequacy – with a weight of 30
Asset quality – with a weight of 42
Management – with a weight of 46
Earnings – with a weight of 48
Liquidity – with a weight of 34

Research and development undertaken to date has resulted in an AANDC\NACCA modified CAMEL rating system resulting in a highest possible rating of 5 and a lowest possible rating of "Not Rated". Sufficient 2012 AFI data was available to rate 45 AFIs under the CAMEL system which produced 2012 summary results reflected in table 3 below:

2012 CAMEL V9 RATING SUMMARY							
	5	**4**	**3**	**2**	**1**	**Not Rated**	**Total**
# of AFIs	12	7	10	7	4	5	45
% of AFIs	27%	16%	22%	16%	9%	11%	100%

Underneath the successes AFIs have achieved lie significant challenges. AFIs recognize overcoming these challenges as essential to their continued long term success. In 2009-2010 four strategic pillars were identified as critical to the AFI network's future. In order of priority the four pillars are:

1. Sustainability - by way of Aboriginal Developmental Lending Assistance (ADLA) programming;
2. Capacity – enhancement of internal AFIs capacity through continuation and refinement of existing Access to Capital Support and Training Programming;
3. Capital – growing the AFIs capital base through the development of an innovative Capital Attraction Tool to draw in private sector and Aboriginal capital for AFI loans;
4. Client services – improving AFIs capacity to meet their clients' expanding critical needs.

AANDC and NACCA, together with AFIs, have been engaged in the development of solutions in response to the above noted pillars, which are expanded on in Section III the AFI Network (pages 16 through 17), since 2009-2010.

The four pillars are all contained within AANDC's Program Renovations initiative. Sustainability, Capacity, and Client services pillars are scheduled to be rolled out April 1, 2014. The Capital pillar is currently scheduled to roll out April 1, 2015.

Section III the AFI Network

The AFI Network Association

The National Aboriginal Capital Corporations Association is referred to in this paper as NACCA, AFIs, the AFI network, the AFI association or the association. This section provides a concise overview of the AFI network.

NACCA membership is comprised of 48 AFIs from all regions of Canada. NACCA member AFIs provide in the range of $150,000 in annual membership fees which combined with funding from AANDC make it possible for NACCA to pursue National AFI common interests. NACCA's vision and mission statements are:

- ***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 - History

The first AFIs were created in the late 1980s to replace the Indian Economic Development Fund (IEDF), a fund then dedicated to Aboriginal small business lending. IEDF was managed by AANDC's predecessor Indian and Northern Affairs Canada (INAC). In its last year of operations, IEDF reported to have provided $6 million in new loans. Write-offs averaged in the 25% range over the life of IEDF programming, a poor record attributed in part to borrowers seemingly considering IEDF funds as Government grant dollars. By comparison to IEDF, today, AFIs have disbursed $100 million in new loans in each of the last four years while maintaining historical loan write-offs in the 6% range.

As of March 31, 2012 an estimated 3,200 Aboriginal businesses (3,100 in 2011) in all Provinces and Territories were supported by 4,173 AFI loans, aggregating $295 million. Historically AFIs have provided well over 36,000[10] loans totalling more than $1.8 billion[11].

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[10] Excluding loans made by AFIs that may now be inactive

[11] Excludes loans made by AFIs that may now be inactive, however includes ACDF loans.

Repayment of AFI loans for the 53 active AFIs is approaching the $1.4[12] billion mark. The average AFI repayment efficiency rate for the 53 active AFIs is 94.19%[13]
The AFI Network is comprised of 53 active lending AFIs delivering a complex array of Aboriginal business and community development products and support services, inclusive of small business loans to Aboriginal businesses engaged in all sectors of the Canadian economy.

The 53 active lending AFIs are located as depicted in table 4 below:

YK	NWT	NU	BC	AB	Sask	Man	Ontario	PQ	Atlantic
1	**7***[14]	**3***	**9****	**5**	**6**	**8****	**8**	**5**	**1**

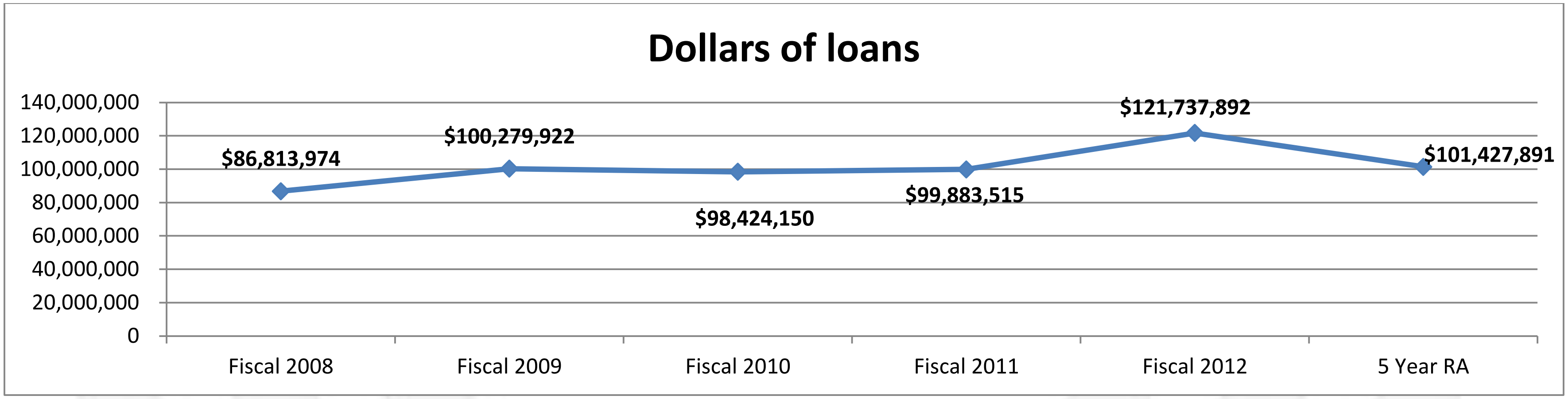
AFI Network Lending

This section draws on audited financial statement data from 48 of the 53 of AFIs actively lending in 2012. Additionally 43 of the 48 AFIs provided supplemental data inclusive of: loans advanced, the number of loans in their GLPs, the number and dollars of loans written off, contractual delinquency, dollars leveraged by lending activity, staffing composition, and jobs created\maintained.

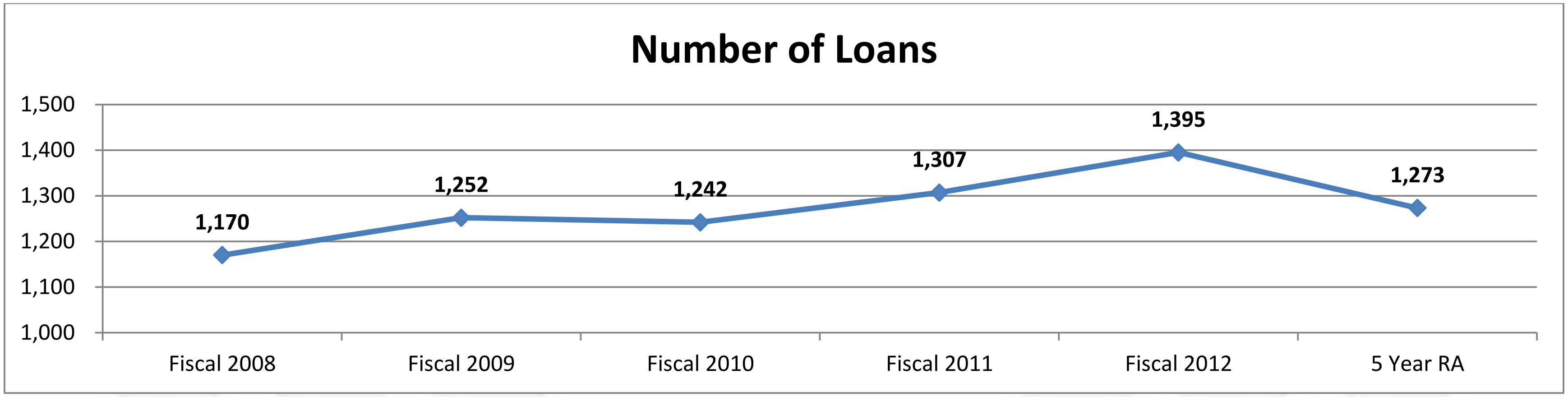
For the fourth consecutive year, annual AFI loan disbursements were in the $100M range[15].

[12] Historical loans for 53 active AFIs $1,750,189,495 minus historical write-offs for 53 active AFIs $101,671,244 minus 2012 GLP $294,946,009=$1,353,272,242
[12] Historical loans for 53 active AFIs $1,750,189,495 minus historical write-offs for 53 active AFIs $101,671,244/$1,750,189,495=94.19%

[14] Each * depicts one inactive AFI
[15] The 2012 total includes $8 million of loans provided by an AFI that had not previously reported


Dollars of loans
140,000,000
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
0
$86,813,974
$100,279,922
$98,424,150
$99,883,515
$121,737,892
$101,427,891
Fiscal 2008
Fiscal 2009
Fiscal 2010
Fiscal 2011
Fiscal 2012
5 Year RA

The number of loans AFIs provided increased for the third consecutive year reaching a peak of 1,395 in 2012.



Job creation\maintenance

AFIs play an essential role in the Canadian economy: they significantly support employment by creating and maintaining jobs[16].

In 2012[17] The 43 AFIs that reported supplemental AFI data created an average of 2.24 jobs for each start-up loan and created\maintained an average of 3.80 jobs for each loan made to an existing business as reflected in table 5 below.[18] By extension, the consolidated AFI gross loan portfolio supports in the range of 15,000 FTE jobs per year.

# loans	Description	FTE Jobs
565	new loans to start-up businesses	X 2.24 FTEs per loan = 1,266 jobs created
755	new loans for business expansion	X 3.80 FTEs per loan = 2,869 jobs created\maintained
1,320	Total new loans	= 4,135 Total jobs created\maintained via provision of new loans

AFIs therefore play a vital role supporting the entrepreneurial creation and maintenance of jobs of in the Canadian economy.

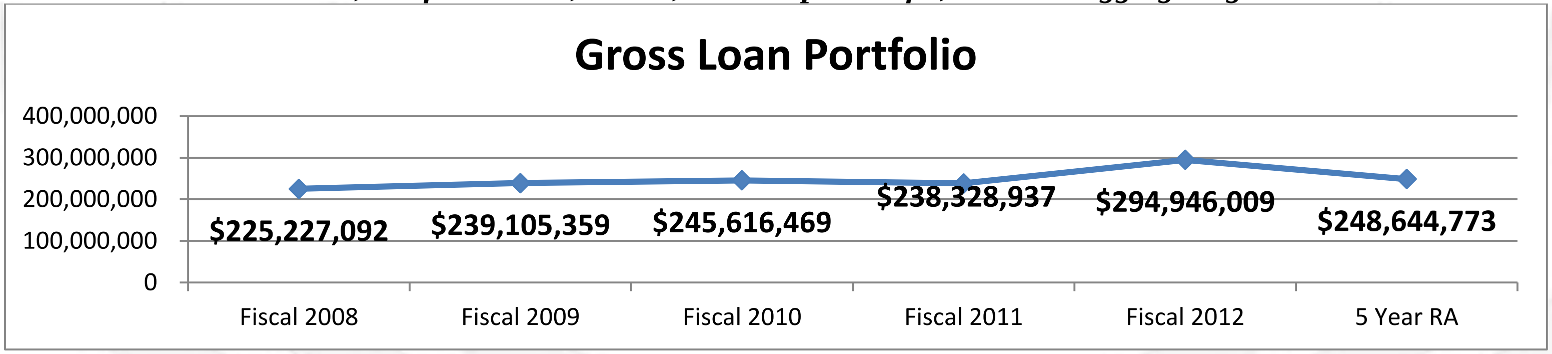
[16] AFI job creation\maintenance statistics reflect part time or seasonal jobs as 0.4 fulltime equivalent (FTE) jobs.

[17] 42 AFIs provided job creation data for 2012. The most recent years job creation\maintenance data was used for the 6 AFIs that did not provide 2012 data

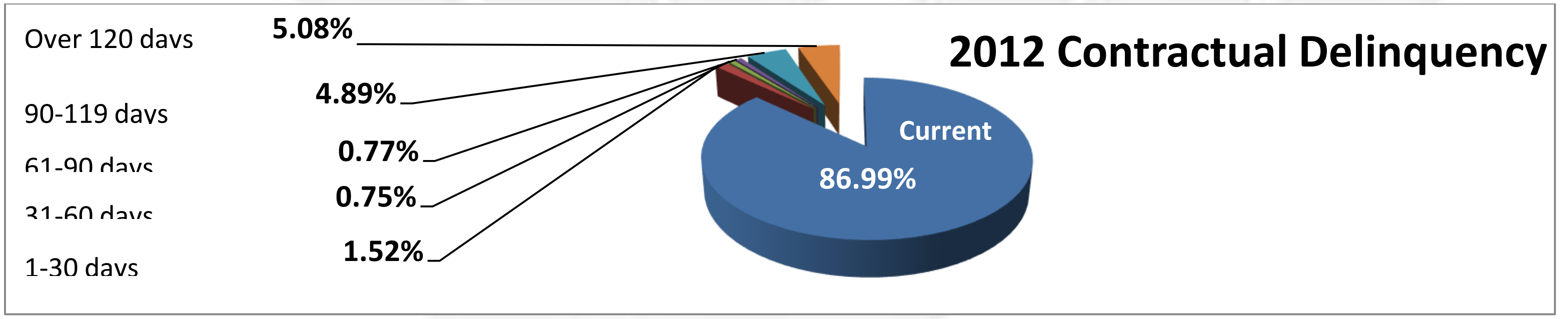
[18] Job creation data was reported for 526 AFI start-up loans and 721 new loans to existing businesses. An average of 2.24 FTEs were created by each start-up loan and an average of 3.80 FTEs was created\maintained by each new loan to an existing business. By extension, 565 start-up loans and 755 new loans to existing businesses supported the creation of 1,266 + 2,869 = 4,135 FTEs respectively

AFI Network Consolidated Loan Portfolio

The consolidated AFI GLP, as of March 31, 2012[19], was comprised of 4,173 loans aggregating $295 million.[20]



For the third consecutive year, contractual delinquency has improved as 86.9% of loan repayments are up-to-date compared to 82.5% in 2011 and 79.9% in 2010 – loan repayments due over 120 days decreased to 5.1% compared to 7.5% in 2011 and 9.9% in 2010. The consolidated AFI contractual delinquency picture is showed in the pie chart below[21].



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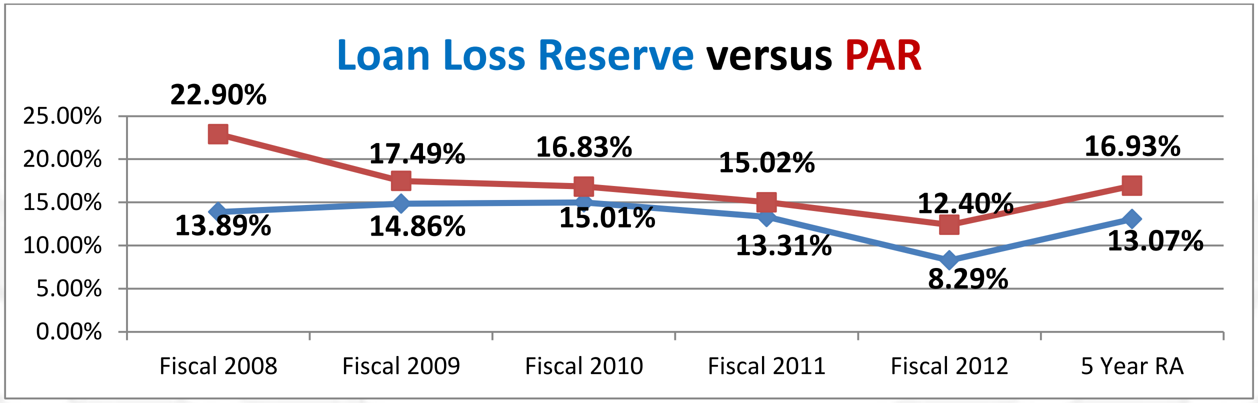
[19] Includes an AFI gross loan portfolio of $52 million not reported in previous years

[20] Last known GLPs of AMCC $5.7M, BBCDS $3.4M, DACF $207K and KA $73K not included in 2012 total GLP as they have not reported for some time and are no longer NACCA members.

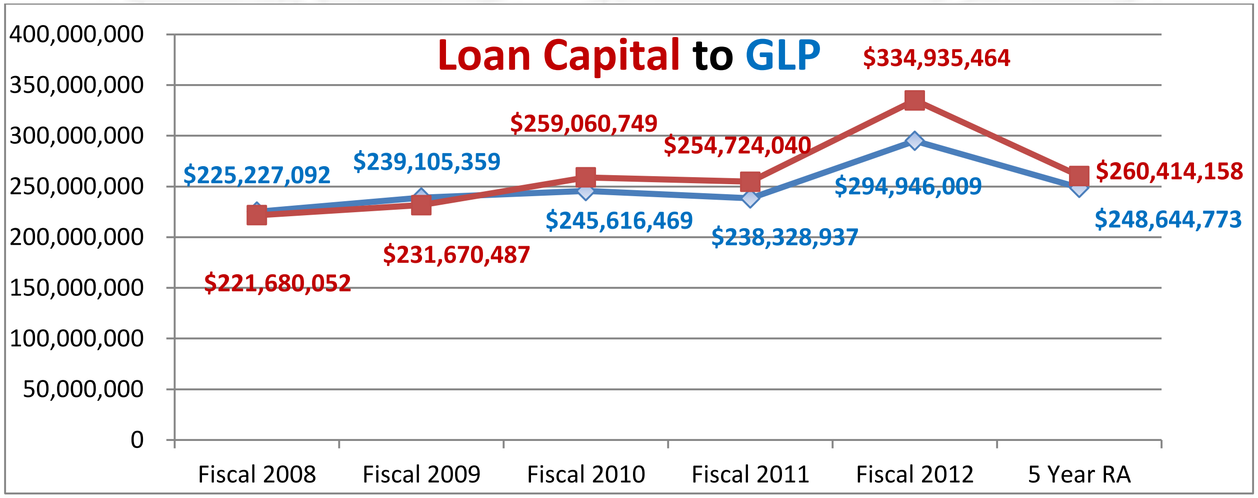
[21] The above loan receivables aging summary is based on 42 of 53 active lending AFIs that representing 73% of the consolidated AFI GLP.

On a consolidated basis, the loan loss reserve appears adequate to offset PAR given a 37% reliance on the recovery value of underlying security.



PAR and the LLR have both trended down in relative concert over the last four years.

Loan capital for AFI loans consists of repayable and non-repayable loan capital provided by AANDC, RDAs, some Provincial Governments, private capital, and Enhanced Access to Capital programming.



The 2012 - 2014 NACCA Strategic Plan outlined the approach to build consensus on the future of the AFI network. It described the association's corporate direction, identified key AFI network strategic pillars, initiatives, and outlined a coordinated approach to implementation and scheduling. NACCA's Board of Directors monitors the progression of the strategic plan's goals and objectives.

The four strategic pillars and related initiatives described below are currently being addressed through two complementary and parallel activity streams:

1. **AANDC-NACCA Program Renovation design and implementation** of required programming was commenced during Fiscal 2010-11. These undertakings are being led by Joint Working Groups of AFI General Managers (GMs) supported by a NACCA coordinator and AANDC personnel.
2. **NACCA-led development initiatives** in support of broadening the NACCA vision are being undertaken over the course of fiscal Years 2012 to 2014. These initiatives are being led by Working Groups comprised AFI GMs supported by NACCA staff. AANDC staff will participate where appropriate and when available.

In 2010-11 four strategic pillars were identified as integral to the AFI network's future:

1. ***Broadening access to sustainable lending***

The first pillar or the cornerstone of the AFI network's future, addresses the financial sustainability of AFIs engaged in developmental lending to a geographically dispersed clientele in respect to the higher costs of capital incurred in light of risk and vital advisory and support service costs. The first pillar requires the following:

- The establishment of a measured performance based incentive program, such as the Aboriginal Developmental Lending Assistance (ADLA) program under discussion with AANDC to offset unrecoverable developmental lending costs incurred by AFIs. ADLA programming is planned to rollout April 2014.
- The reorganization of current AFI Capital Top-Up programming with emphasis toward a more structured, transparent and equitable, activity based design; better positioning AFIs to attract private and Aboriginal sector capital.
- Introduction of ADLA programming is considered a prerequisite to rollout of the remaining three strategic pillars.

2. ***Increasing the already considerable individual AFI and AFI network capacity by further improving professionalism and self-regulation***

The second pillar will further the AFIs' strategic focus on sound operating standards and build a new "credit union central" type capacity at NACCA. This second pillar requires the following:

- Enhancement of the highly successful AANDC Support and Training (S&T) element of the Access to Capital (ATC) program;
- Restructured governance of ATC programming;

- Enriching the scope, development and delivery of custom AFI training;
- Establishing best practices for AFI Governance;
- Enhancing AFI loan management systems;
- Enhancing the NACCA Personnel Policy Manual;
- Establishing a structured database for Best Practices and Critical Standards; and
- Continuing development of a credit union central type capacity for AFIs

3. *Expanded client services for developing Aboriginal entrepreneurs and businesses*

The third pillar will ensure AFIs are better able to support their clients with a vast array of products and services required for their changing needs while maintaining financial viability. The third pillar requires:
Increasing AFI participation in by way of (Program Delivery Partnerships became the *priority in 2011-12 as AANDC required them to be in place by March 31, 2013).*

- Increasing AFI participation by way of Program Delivery Partnerships[22]
- Expanding Enhanced Access (EA) element of the Access to Capital (ATC) program;
- More equitable transparent and flexible Business Services Officer (BSO) programming, an inherent feature of ADLA programming as now envisaged by AANDC\NACCA;
- Developing an innovative, comprehensive Aboriginal Youth Business Program and;
- Expanding the National Aboriginal Contractors Support Incorporation (NACSI) bid and performance bonding service

4. *Diversifying and expanding the AFI capital base*

The fourth pillar recognizes the need to better position AFIs in order to secure additional private and Aboriginal sector loan capital on an on-going basis to fuel the emergent demand from Aboriginal small and medium-sized enterprises (SMEs). This fourth pillar has been under development since 2010-11 and is planned to be rolled out in 2014-15 It will require:

- Engagement of a CEO experienced in the attraction of private sector capital (joined NACCA team February 2013)
- Utilization of increased private sector Aboriginal and commercial capital through the issuance of bonds, debentures or other innovative financial instruments;
- Renovation of the twelve year old Interest Rate Buy-down (IRB) element of the Access To Capital (ATC) program;
- Structuring syndication frameworks;
- Developing AFI accessible liquidity pools, and
- Developing a comprehensive universally recognized AFI performance measurement framework e.g. CAMEL.

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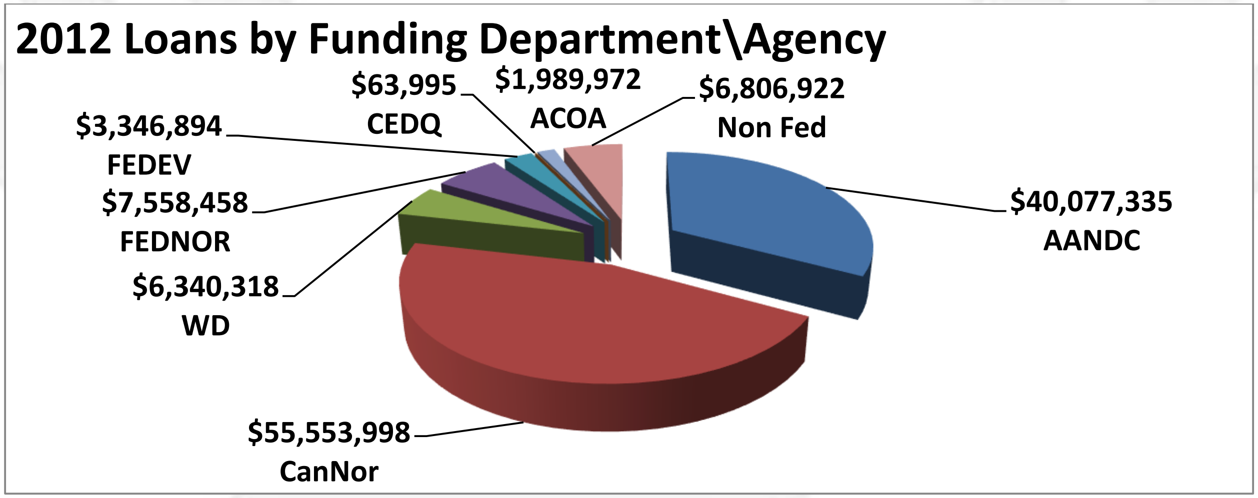
[22] Program Delivery Partnerships which will replace the former Alternate Service Delivery approach became a priority in 2012 3013 as AANDC required them to be in place by March 31, 2013

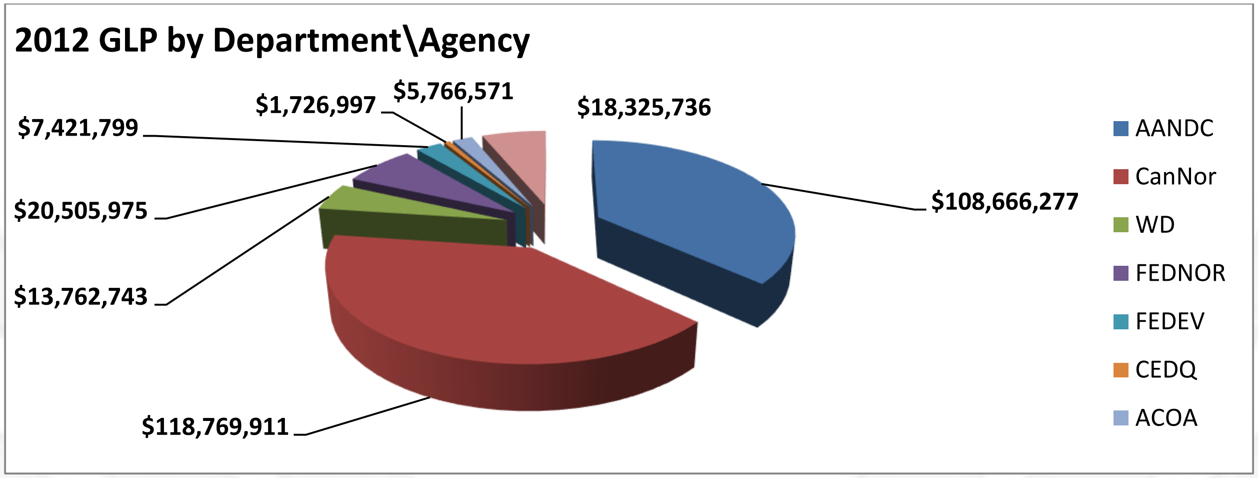
Changing Federal Government\AFI dynamics

In calendar year 2011 AANDC advised program renovations will focus on AANDC capitalized AFIs. In other words only ACCs domiciled south of the 60th parallel. AANDC advises it is conferring with the Regional Agencies responsible for other AFIs, apprising them of AANDC's program renovation plans and actions. However, the extent of Regional Agency AFI program renovations subsequently implemented will be at the pleasure of the Regional Agencies i.e. CanNor, WD, FEDNOR, FEDEV, CEDQ and ACOA, and may or may not be in concert with AANDC capitalized AFIs. Consequently the cohesiveness of the Canada wide AFI network nurtured by AANDC's predecessor (INAC) fourteen years ago may experience significant stress as program renovations rollout. Therefore the challenges associated with an equitable implementation of program renovations for all AFIs included in the existing Canada wide AFI network will be of paramount importance to all stakeholders, especially during Fiscal Years 2013-15.

For informational purposes additional 2012 AFI data is reflected in the following three charts by federal department\funding agency.



The 2012 distribution of the AFI GLP by federal department\funding agency is reflected below.



In 2012 AFI loans $79.5 million. A breakdown of dollars leveraged by federal department\funding agency is reflected below.

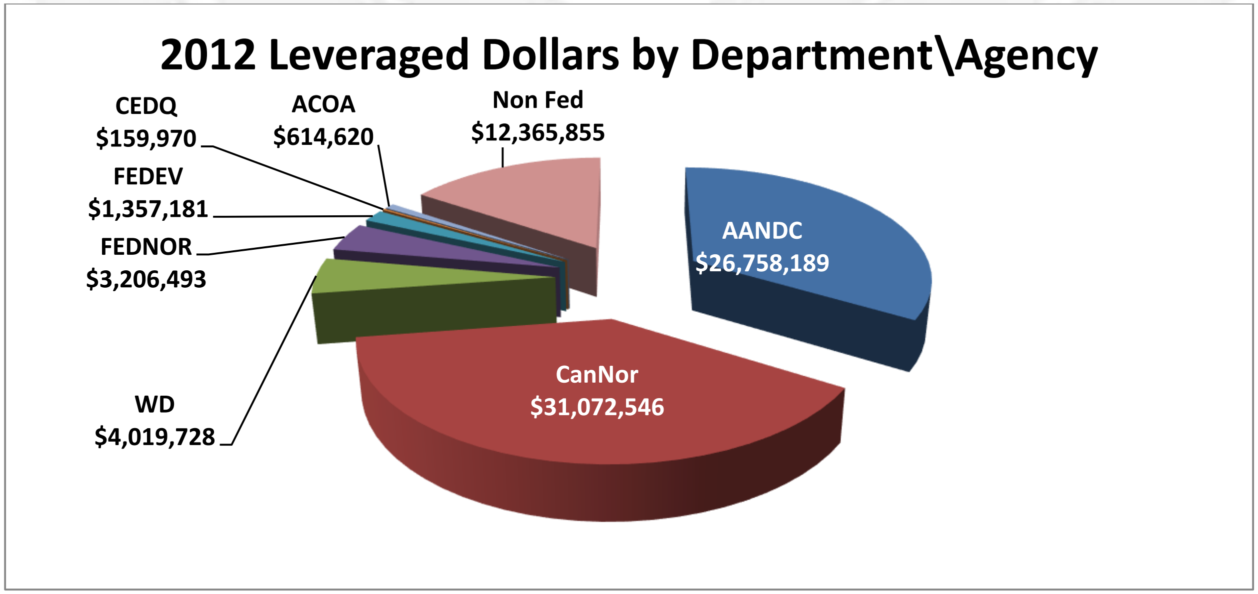


Table 6 below reveals key statistics sorted in keeping with changes identified above.

	AANDC	CanNor	WD	FEDNOR	FEDEV	CEDQ	ACOA	Non Fed
	2012	**2012**	**2012**	**2012**	**2012**	**2012**	**2012**	**2012**
Cash & term	34,853,258	32,988,180	12,552,900	17,841,593	3,067,001	469,277	6,018,751	35,799,651
Total Assets	191,286,426	146,077,559	26,859,380	49,447,178	10,515,396	1,693,896	11,000,359	54,720,354
Earned revenue	12,220,759	7,921,981	1,636,914	2,047,057	521,072	118,027	906,326	1,411,140
Government revenue								
- programs\projects	11,256,801	1,976,135	10,694,264	8,948,859	41,192	36,071	1,162,002	7,085,804
- subsidies	79,637	2,100,711	5,006,646	1,309,146	597,326	495,526	540,450	0
Total Revenue	**23,557,197**	**11,998,827**	**17,337,824**	**12,305,062**	**1,159,590**	**649,624**	**2,608,778**	**8,496,944**
Net profit								
Historical loans	717,432,910	683,480,065	81,981,177	101,757,984	45,665,321	5,189,539	49,154,803	65,527,696
Historical write-offs	8.14%	1.66%	11.79%	5.01%	12.18%	16.09%	16.58%	4.01%
Loans								
Number	745	183	176	133	76	2	23	57
Dollars	40,077,335	55,553,998	6,340,318	7,558,458	3,346,894	63,995	1,989,972	6,806,922
Gross loan portfolio	108,666,277	118,769,911	13,762,743	20,505,975	7,421,799	1,726,997	5,766,571	18,325,736
Loan loss reserve	5,429,951	9,456,243	2,516,865	2,721,395	900,482	789,572	1,305,431	1,318,948
Net loan portfolio	102,304,892	109,313,668	11,315,105	17,784,580	6,521,317	937,425	4,461,140	17,006,788
Delinquency								
Current	83.75%	93.30%	70.14%	81.49%	79.86%	64.64%	72.33%	77.86%
1-30	2.91%	0.24%	1.77%	2.71%	0.00%	5.32%	0.00%	6.84%
31-60	1.46%	0.11%	1.88%	0.37%	0.03%	0.00%	0.00%	5.03%
61-90	2.16%	0.05%	0.56%	0.19%	0.25%	0.00%	0.09%	0.00%
91-120	5.44%	3.45%	1.85%	7.97%	3.86%	6.88%	27.58%	0.00%
121+	4.27%	2.85%	23.80%	7.26%	16.00%	23.16%	0.00%	10.27%
Jobs								
Created maintained	860	947	265	167	48	0	61	112
CAMEL rating								
Average regional rating	5	2	2	3	2	3	3	3

Section IV 2012 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, 2012. This data provides AFI General Managers/Boards with base statistics for consideration in performance comparison. It is also provided, sorted on an AANDC and Regional Development Agency basis for their purposes. Most data is extracted from AFIs audited Financial Statements and from separate surveys voluntarily provided by AFIs. Supplemental data provided by these surveys includes new loan advances, loan write-offs, portfolio aging, leverage, employment creation\maintenance and staffing.

Significant notes:

In consolidating data for all AFIs, the following was taking account:

- AFIs do not utilize identical revenue and expense category terms\phrases. Some discretion is necessary to consolidate results.
- There are 60 AFIs in Canada. In 2012 53[23] were recognized as actively engaged in developmental lending activities.
- One of the 53 active AFIs provides resupply credit lines to Aboriginal owned and controlled co-ops north of 60.
- The 2012 AFI Portrait is a consolidation of the financial statement results of 48 AFIs representing 91% of 2012 active developmental lending AFIs.
- The vast majority of AFI fiscal year-ends occur March 31st however, 7 AFIs have a fiscal year-end later in the calendar year. The most recent available year-end data on these 7 AFIs was used to compile consolidated 2012 AFI Portrait results. It was assumed likely that these seven AFIs would replicate their most recent year-end results in 2012.

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

Similarities in trend and performance between AFIs, arises when they are grouped according to the size of the area they serve.[24] Tables and charts as well as commentary in 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. Please refer to appendices “A” through “H” for details pertaining to SR and LR AFIs and key data for average SR and LR profitable and unprofitable AFI results.

AFI Governance and Oversight

AFI Boards are predominately comprised of Aboriginal people from the regions and/or heritage groups served by the AFI. Control and oversight by members of the communities served has often been cited as the primary reason for AFI successes e.g. repayment efficiency rates. In some cases, Aboriginal AFI Board members may appoint outside individuals with specialized skills (e.g. accountants, lawyers) to AFI Boards to ensure the AFI Board possesses required developmental lending acumen.

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[23] Refer to appendix “I” for a detailed list of AFIs that provided audited financial statements and supplemental data for the 2012 AFI Portrait.

[24] 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.

Operational Management and Staff

Many AFIs combine Account Manager (AM) and Business Support Officer (BSO) function in reaction to financial constraints caused by the prevailing AFI business model. In the same vein, a number of AFI Loan Support staff duties intermingle because of financial constraints. As of March 31, 2012, the 53 active AFIs employed 298 people.

Liquidity

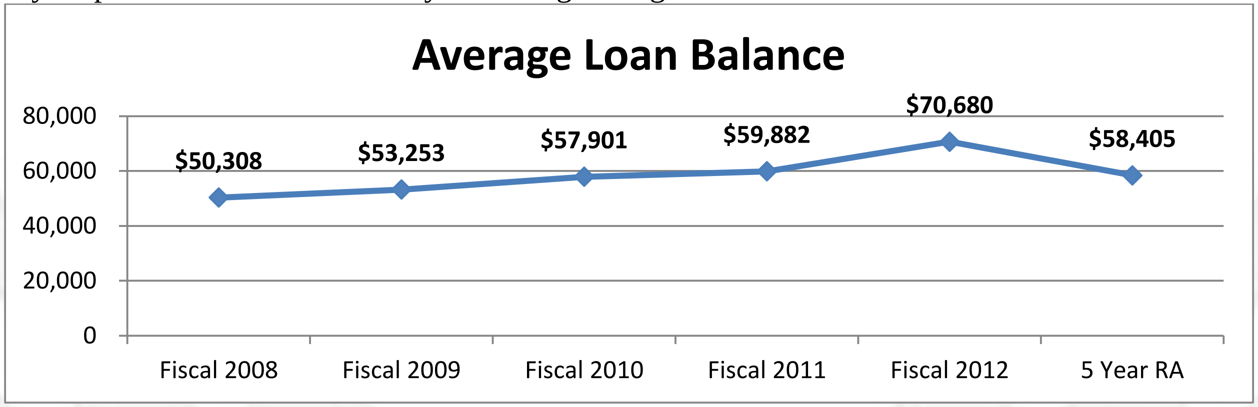
The AANDC predecessor, Aboriginal Business Canada (ABC), determined some years ago that in order to meet loan demand, AFIs require a minimum loan liquidity of 15% of the gross loan portfolio. Taking into consideration annual new loan volumes, repayment efficiency rates, as well as the average loan portfolio turnover rate of approximately four years, liquidity at the 15% level would appear to cover six months loan demand. Including private capital as of March 31, 2012, 14 of 53 or 26% of AFIs had loan capital liquidity levels that amounted to less than 15%.

2012 AFI Loan Statistics

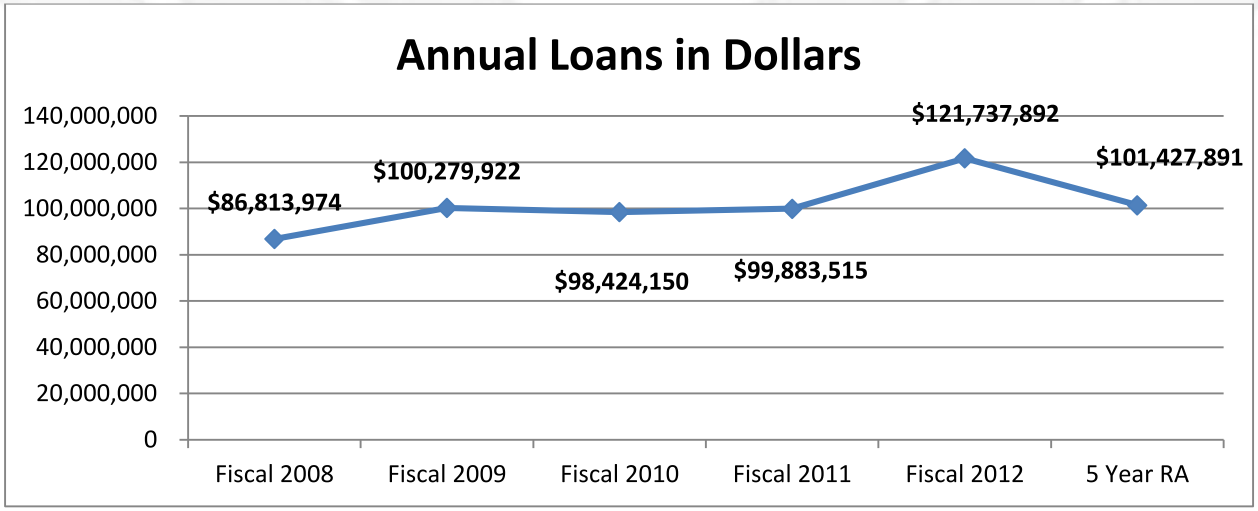
In fiscal 2012 the 53 active AFIs provided a total of 1,395 loans aggregating $122million. A reported 565 loans aggregating $26.3 million were start-up business loans. In addition 755 new loan advances aggregating $88.2 million were provided to existing businesses to assist with expansion or modernization. The remaining $7.2 million appear to be loans restructured to better match cash flow capacity and\or enhance security positions. A summary of 2012 specifically reported Smaller Region (SR) and Larger Region (LR) AFI new loan advance activity is provided in table 7 below.

	Average of SR AFIs				Average of LR AFIs			
	#	% by #	$	% by $	#	% by #	$	% by $
New Start-up loans	244	41%	10,183,098	35%	321	45%	16,173,401	19%
New Loans advanced to existing businesses	356	59%	19,283,391	65%	399	55%	68,907,713	81%
Total	600	100%	29,466,489	100%	720	100%	85,081,114	100%

The average AFI loan balance has consistently increased for years. AFIs appear to be striving to achieve cost efficiencies to absorb the cost of developmental shortfall they incur. 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.



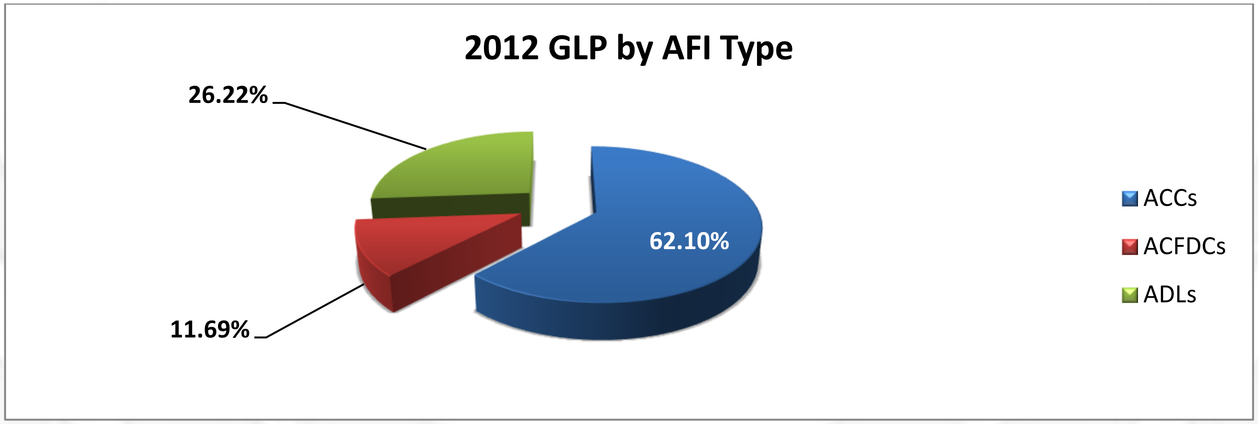
The graph below illustrates annual loan volume in current dollars over the last five year period[25]. ***The five-year rolling average annual loan volume has reached $101.4 million***.



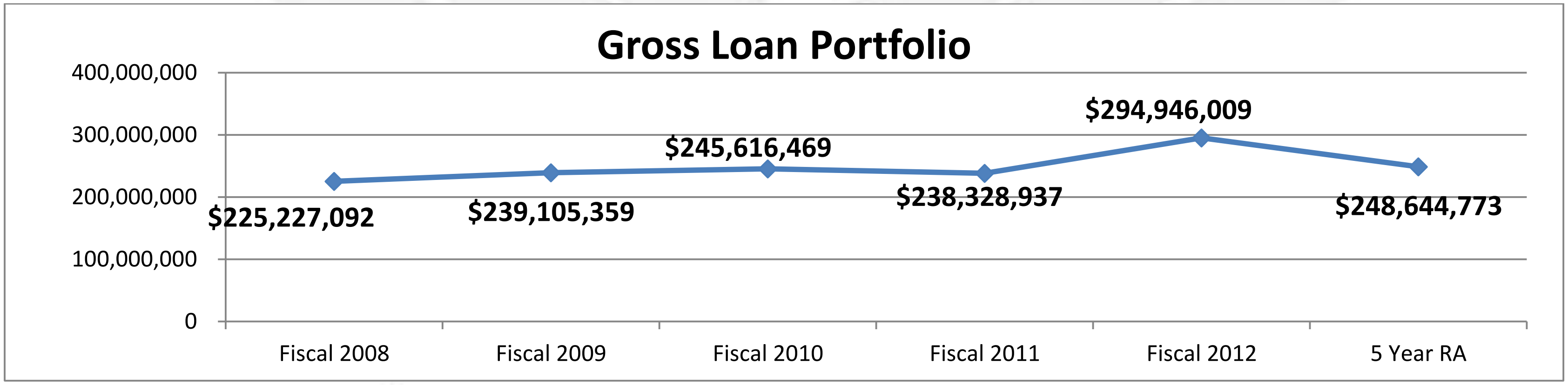
[25] The spike in 2012 was influenced by the AFI, that had not reported previously, with an average loan balance in the range of $700k

Gross Loan Portfolio

The pie chart below depicts the consolidated AFI GLP by AFI type[26].



The consolidated AFI Gross Loan Portfolio[27] is approaching the $300 million level.



[28]

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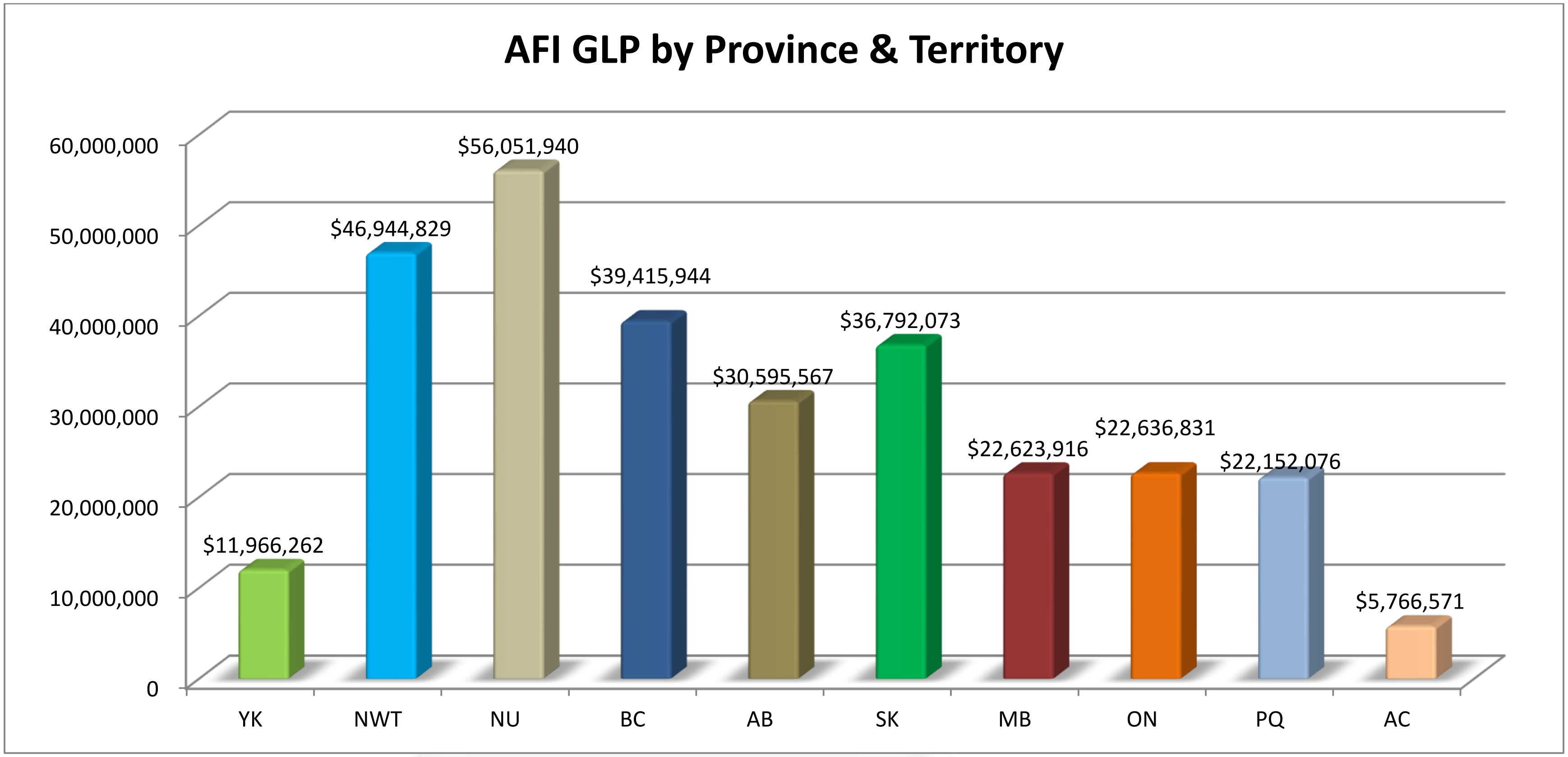
[26] Atuqtuarvik Corporation included as an ADL

[27] The last known GLP aggregating $6.6 million for six inactive AFIs has not been included in the 2011 or 2012 totals

2012 Provincial/Territorial distribution of the gross loan portfolio[29] is reflected below.



Region	YK	NWT	NU	BC	AB	SK	MB	ON	PQ	AC	Totals
Active AFIs 2012	**1**	7	**3**	**9**	**5**	**6**	**9**	**8**	**4**	**1**	**53**
Aboriginal population[30]	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	1,579	2,275	2,4912	201	162	259	129	93	204	86	251
Repayment Efficiency	93%	99%	96%	93%	93%	93%	91%	87%	96%	83%	94%

[29] 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.
[30] Source: Statistics Canada 2006 census – Aboriginal identity population.

2012 Smaller Region (SR) and Larger Region (LR) AFI Financial Results[31]
There are 33 AFIs located in smaller regions and 20 located in larger regions[32].Five year audited statement results were consolidated and categorized in table 8 below into profitable and unprofitable SR and LR AFIs

	Profitability	Profitability	% SR AFIs	% SR AFIs	% LR AFIs	% LR AFIs
Fiscal Year	All SR AFIs	All LR AFIs	Profitable	Unprofitable	Profitable	Unprofitable
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%
2012 $ profit (loss)	305,974	2,146,613	48%	52%	40%	60%
5 year average	1,380,145	1,641,323	50%	50%	53%	47%

In 2012, 83% of SR AFIs received a total of $8.9 million operational in subsidies from Regional Agencies and Territorial governments[33]. Consequently the vast majority of Smaller Region AFIs which are ACFDCs are able to rely on revenues other than self-generated income.

In contrast, Larger Region AFIs are dependent on self-generated revenue whether it is interest revenue generated by their loan portfolios, or programs delivered on a fee for service basis, which arguably detracts from the provision of developmental loans and related support services.

[31]The rational for providing certain SR and LR profitable and unprofitable results are provided on page 15 (first paragraph).
[32] The list of SR AFIs and LR AFIs is provided in Appendix “I”.
[33] BLNDC, CDEM, NFA, NEFI, TACC, and TRICORP do not receive operational subsidies

2012 Revenue Summary

Table 9 below itemizes Fiscal 2012 revenues and profitability.

	Average unprofitable SR AFI		Average profitable SR AFI		Average unprofitable LR AFI		Average profitable LR AFI	
Assets	3,428,193		6,244,003		15,250,080		18,802,033	
Loans advanced during year	880,686		1,038,272		5,488,272		3,036,827	
GLP	2,175,378		3,048,715		11,423,222		9,013,308	
Primary revenues		**% GLP**		**% GLP**		**% GLP**		**% GLP**
Net interest - loans	106,244	4.88%	166,156	5.45%	744,233	6.52%	568,125	6.30%
Bad debt recoveries	14,359	0.66%	8,551	0.28%	15,153	0.13%	1,332	0.01%
Interest on deposits	24,466	1.12%	30,224	0.99%	59,060	0.52%	70,857	0.79%
Fee and misc. income	68,928	3.17%	60,687	1.99%	130,116	1.14%	298,776	3.31%
Sub-total self-generated GLP revenue	***213,997***	***9.84%***	***265,617***	***8.71%***	***948,561***	***8.30%***	***939,090***	***10.42%***
Secondary revenues								
Operating subsidies	247,050	11.36%	311,570	10.22%	78,707	0.69%	0	0.00%
Program revenue	214,686	9.87%	819,127	26.87%	693,609	6.07%	995,996	11.05%
Other	1,207	0.06%	189,330	6.21%	95,085	0.83%	495,417	5.50%
Sub-total secondary revenue	***462,943***	***21.28%***	***1,320,027***	***43.30%***	***867,401***	***7.59%***	***1,491,412***	***16.55%***
Total revenue	**676,940**	**31.12%**	**1,585,644**	**52.01%**	**1,815,962**	**15.90%**	**2,430,502**	**26.97%**

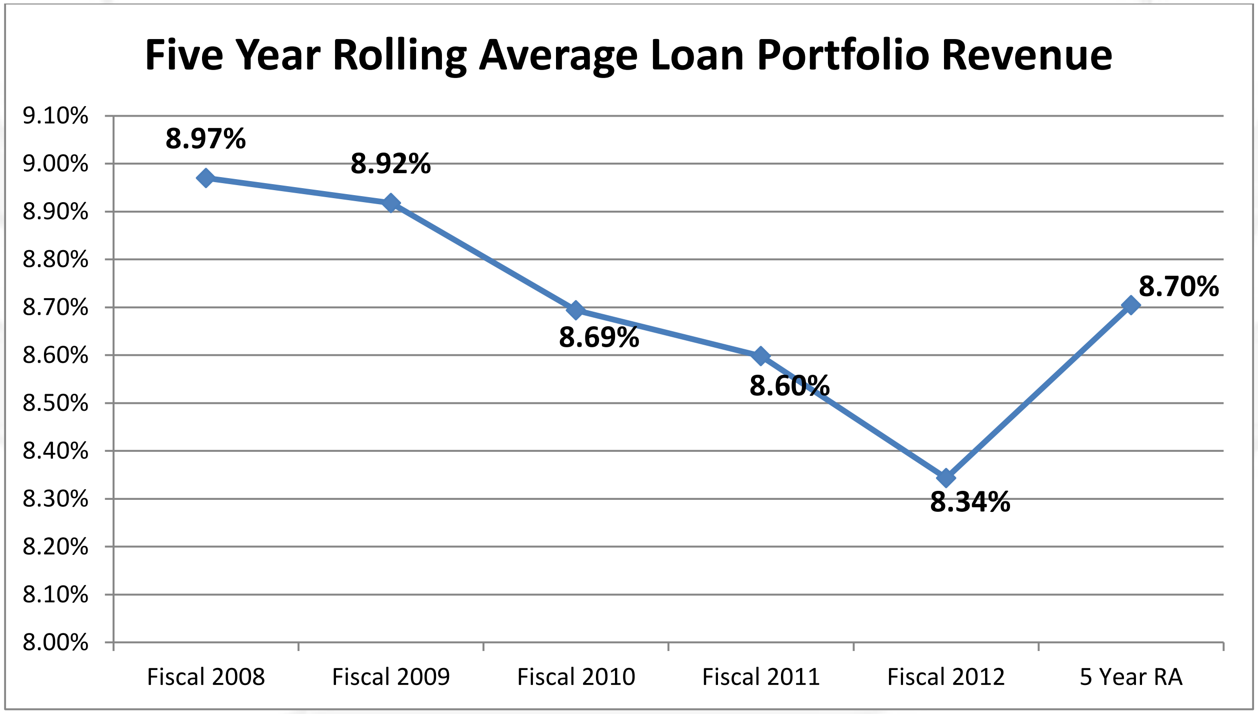
Profitability observations:
There were 16 unprofitable and 17 profitable smaller region AFIs in 2012. ACFDCs comprise 83% of the smaller regions AFIs. On average each ACFDC received an operating subsidy of $308k in 2012.

There were 12 unprofitable and 8 profitable larger region AFIs in 2012. All LR AFIs are ACCs, two of which are dual ACC/ACFDCs which received operating subsidies from Regional Agencies in 2012[34].

[34] Both were unprofitable

Loan Portfolio Revenue

AFI loan portfolio income is comprised of loan interest, bad debt recovery, as well as ***application and sundry fees*** for service**.** Larger region AFIs generated average loan portfolio revenue of 8.34% (8.60% 2011) of their GLP. Smaller region AFIs generated an average loan portfolio income of 6.50% (7.93% 2011) of their GLP.



2012 Expense Summary

Fiscal 2012 expenses have been itemized and reflected in table 10 below as a percentage of the GLP.

	Average unprofitable SR AFI		Average profitable SR AFI		Average unprofitable LR AFI		Average profitable LR AFI	
Assets	3,428,193		6,244,003		15,250,080		18,802,033	
Loans advanced during year	880,686		1,038,272		5,488,272		3,036,827	
GLP	2,175,378		3,048,715		11,423,222		9,013,308	
Expenses		**% GLP**		**% GLP**		**% GLP**		**% GLP**
Advertising & promotions	7,956	0.37%	13,801	0.46%	27,673	0.33%	25,269	0.28%
Collection expense	1,206	0.06%	172	0.01%	1,505	0.10%	9,765	0.11%
Communications	11,365	0.52%	12,300	0.41%	12,153	0.33%	21,582	0.24%
Depreciation/Amortization	4,719	0.22%	10,864	0.36%	14,460	0.38%	30,609	0.34%
Interest & Bank Charges	8,326	0.38%	5,696	0.19%	14,602	0.35%	29,010	0.32%
Meetings	25,244	1.16%	15,413	0.51%	63,628	0.79%	57,446	0.64%
Office & Admin	60,837	2.80%	52,610	1.75%	84,565	1.52%	114,329	1.27%
Premises costs	34,038	1.56%	49,128	1.61%	51,238	0.71%	53,128	0.59%
Professional fees	51,573	2.37%	33,266	1.05%	115,761	1.05%	71,264	0.79%
Provision for losses	111,613	5.13%	53,770	1.79%	117,750	4.06%	101,342	1.12%
Salaries	285,867	13.14%	328,156	10.90%	548,668	7.43%	483,454	5.36%
Training & development	4,248	0.20%	6,114	0.20%	15,386	0.04%	3,127	0.03%
Travel	37,382	1.72%	40,535	1.35%	44,537	0.55%	31,331	0.35%
Program expense	139,760	6.42%	820,034	27.23%	614,599	17.66%	801,195	8.89%
Other	6,618	0.30%	3,736	0.12%	274,591	0.75%	51,593	0.57%
Total expenses	**790,754**	**36.35%**	**1,445,593**	**47.92%**	**2,001,117**	**30.69%**	**1,884,443**	**20.91%**
Net Profit	**-113,814**	**-5.23%**	**140,050**	**4.70%**	**-185,155**	**-0.11%**	**546,059**	**6.06%**

Observations:
Expense category descriptions are provided in appendix "C". The most significant AFI expenses include salaries, provisions for loss and program disbursements.

Staffing data

As of March 31, 2012, the 53 active AFIs employed 298 people (289 in 2011, 337 in 2010 and 346 in 2009). Table 11 below provides a convenient reference for AFI GMs/Boards in terms of AFI staffing requirements. It is, however, important to recognize that vast regional differences exist between AFIs, e.g. geographic size, rural versus urban, client visit frequency, cost, and ease of access and egress in respect to on-site client support etc.

2012	SR	SR	LR	LR	All AFIs
	Unprofitable	**Profitable**	**Unprofitable**	**Profitable**	**Consolidated**
	Av AFI	**Av AFI**	**Av AFI**	**Av AFI**	**Average**
Average # of loans in GLP	53	75	87	130	79
Average loan balance	40,863	40,854	132,060	69,601	70,680
Average GLP	2,175,378	3,048,715	11,423,222	9,013,308	5,565,019
Average # of Account Managers	1.15	1.78	1.82	2.00	1.62
Average number of BSOs	0.71	0.79	1.17	1.69	0.99
Average number of support staff	1.56	1.47	2.45	2.25	1.84
Average total staff	4.18	4.75	7.67	7.38	5.62
Average # of loans per AM\BSO	29	29	29	35	30
Average # of loans per employee	20	23	20	30	23

Provisions for loan loss

Loan loss provision and write-off policies are not homogenous from AFI to AFI i.e. some 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 of delinquent loans to identify specific potential losses and make loan loss provisions reflecting the aggregate of specific potentially unrecoverable loans. Still others review delinquent loans, identify specific potential losses and add an additional percentage of the GLP as a general provision. Because of this differential, AFI loan loss reserves vary from AFI to AFI when expressed as a percentage of each AFI's GLP.

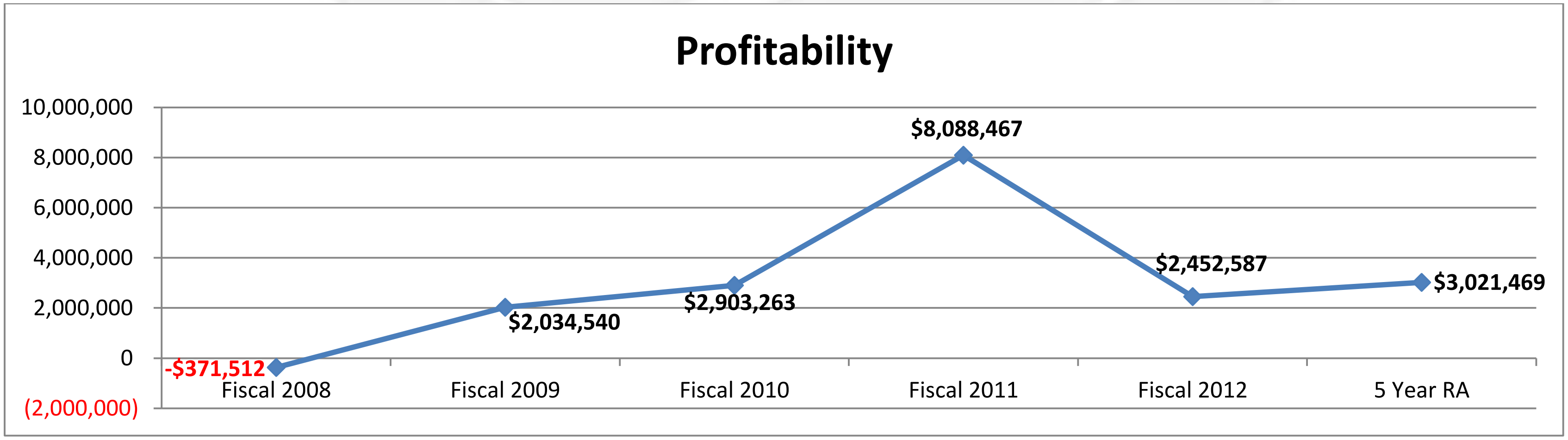
The 2012 consolidated AFI loan loss reserve is 8.29% of the GLP versus (13.31% 2011). Corresponding PAR (over 90 days plus restructures) is 10.14% of the consolidated GLP (14.57% 2011). The 2012 summary is reflected in table 12 below.

2012	Loan Loss Reserve % of GLP	Loan Loss Provision % of 2012 Loans Advanced
SR Average Unprofitable	18.35% (28.63% 2011)	12.67% (25.61% 2011)
SR Average Profitable	12.33% (12.91% 2011)	5.18% (3.65% 2011)
LR Average Unprofitable	6.42% (10.38% 2011)	2.15% (3.06% 2011)
LR Average Profitable	3.94% (5.79% 2011)	3.34% (3.06% 2011)
All AFIs 2012 Average	8.29% (13.31% 2011)	4.09% (5.85% 2011)
Five year rolling average all AFIs	13.07% (14.41% 2011)	7.21% (7.96% 2011)

In 2012 contractual delinquency levels were computed for 43 AFIs indicating 87% of AFI loans are current with arrears aggregating 13% (refer page 14), a marked improvement over 2011 which reflected 82% and 18% respectively.

Program expense
Various programs are delivered by AFIs, primarily for the federal government. The program expense category reflects the outflow of program dollars. Not all AFIs use fund accounting. Although program revenue is identified as a separate line item, program expenses are often not. Program delivery costs are often merged with overall AFI administrative operational expenses.

AFI Profitability
Collectively AFIs have reflected profitable results in four of the last five years in spite of the fragile economy.



Consolidated profitability results sorted by AFI type, reveal that ACCs were only profitable in one of the last five years. By contrast, ACFs were profitable in three of the last five years while ADLs were profitable four of the last five years. Table 13 below provides a five year summary by AFI type.

NET INCOME IN DOLLARS				
Year	Total All AFIs	ACFs	ADLs	ACCs
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
2012	**2,452,587**	**-455,631**	**3,969,250**	**-1,066,667**

The ACC Model

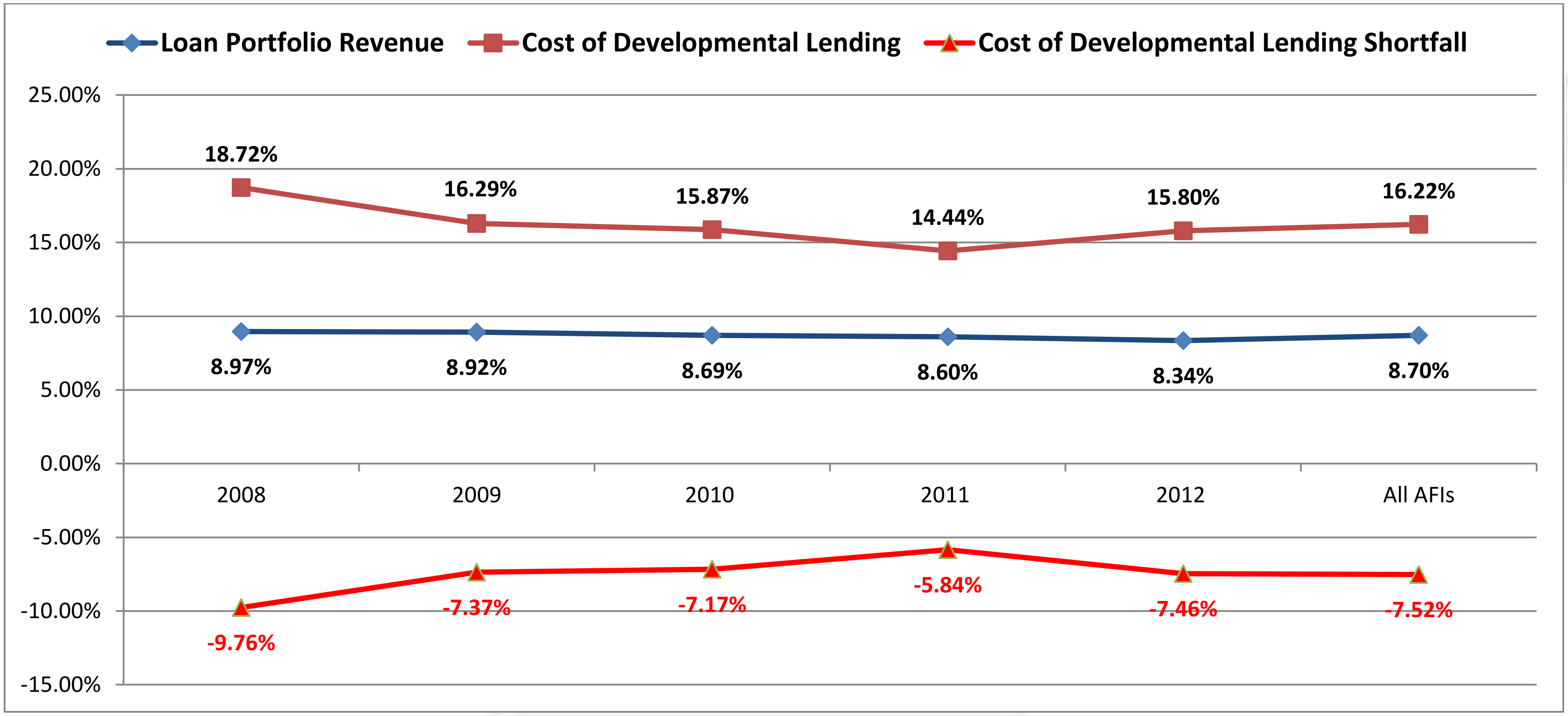
The original ACC model developed prior to 1986 was designed to be self-sustaining given the best estimates available at the time. Loan portfolio revenue was projected at 12%, administrative costs at 6% and loan losses at 5%. A profit of 1% was projected to enable growth. With those assumptions, it was assumed the average AFI with a $5 million capital base would be self-sufficient.

As of 2012, on a five year rolling average basis loan portfolio revenue is 8.70%; administrative expenses are 9.79%; historical loan losses are 5.81%; and the originally unanticipated cost of funds is 0.24%. The five year rolling average cost of developmental lending shortfall is therefore 7.52%.

The AFI Cost of Capital/AFI Cost of Developmental Lending

The methodology for determining AFI cost of Capital or AFI Cost of Developmental Lending (CODL) was jointly defined by INAC\NACCA\ABC in 2004. For a detailed explanation please refer to page 28 of the 2011 AFI Portrait.

The following chart reveals the most recent AFI five-year rolling average revenue, the cost of developmental lending incurred, and the resultant shortfall.



AFIs have been struggling with the gradual erosion of their capital base for some time. As a result some AFIs have taken action on their own to address this issue e.g. improved risk management practices, reduced risk tolerance levels, use of AANDC BSO programming, development of own source revenue streams etc. AANDC Program Renovations are intended to compensate for the cost of developmental lending shortfall by introducing measured performance based programming for qualified AFIs.

Section V Appendices
Appendix "A" 2012 Consolidated Balance Sheet

Consolidated Balance Sheets	SR Unprofitable	SR Profitable	LR Unprofitable	LR Profitable	Total
Assets in dollars	**Av AFI**	**Av AFI**	**Av AFI**	**Av AFI**	**All AFIs**
Cash & term	1,351,414	2,644,070	3,743,068	4,174,331	143,590,611
Accrued Interest	13,865	54,180	31,469	139,160	2,593,484
Accounts receivable	201,523	172,410	613,200	1,081,431	22,194,294
Collateral & Loans - Net	1,776,162	2,672,778	10,690,303	8,658,036	270,507,122
Other	5,294	581,631	17,432	4,427,938	45,028,789
Capital assets	84,931	118,934	154,609	321,139	7,686,248
Total Assets	**3,428,193**	**6,244,003**	**15,250,080**	**18,802,033**	**491,600,548**
Liabilities					
Payables	160,049	271,234	584,557	786,217	20,364,995
Other (includes credit lines)	30,458	0	237,719	4,174,331	7,815,867
Deferred revenue	35,188	134,855	117,732	4,692,788	41,710,952
Long term debt	483,981	681,798	48,798	208,692	21,182,862
Equity					
Equity Capital	0	13	2,220,018	199,925	28,239,824
Contributed surplus	3,182,804	4,899,944	13,271,354	11,287,887	382,066,110
[35]Surplus -Deficit	-464,287	273,237	-1,230,099	1,096,930	-9,780,062
Total liabilities & Equity	**3,428,193**	**6,244,003**	**15,250,080**	**18,802,033**	**491,600,548**

[35] In other words accumulated AFI profits or losses

Appendix "B" 2012 Consolidated Income Expense Statement

Consolidated Revenue Expense Statements	SR Un-prof	SR Prof	LR Un-Prof	LR Prof	All AFIs
Revenues	**Av AFI**	**Av AFI**	**Av AFI**	**Av AFI**	**Total**
Interest on loans & investments	106,244	166,156	744,233	673,790	17,940,441
Provision for losses: Interest	0	0	0	0	0
Net Interest on loans	106,244	166,156	744,233	673,790	17,940,441
Recovery on loans & interest	14,359	8,551	15,153	9,624	573,392
Interest on investments	24,466	30,224	59,060	63,779	2,175,086
Fee and misc. income	68,928	60,687	130,116	197,580	6,094,357
Operating subsidies	247,050	311,570	78,707	47,224	10,129,442
Program revenue	214,686	819,127	693,609	814,564	33,046,972
Other	1,207	189,330	95,085	255,218	8,154,156
Total revenue	**676,940**	**1,585,644**	**1,815,962**	**2,061,778**	**78,113,846**
Expenses					
Advertising & promotions	7,956	13,801	27,673	26,711	890,292
Collection expense	1,206	172	1,505	4,809	119,436
Communications	11,365	12,300	12,153	15,925	708,489
Depreciation/Amortization	4,719	10,864	14,460	20,920	672,431
Interest & Bank Charges	8,326	5,696	14,602	20,365	639,964
Meetings	25,244	15,413	63,628	61,155	1,898,863
Office & Admin	60,837	52,610	84,565	96,471	3,805,409
Premises costs	34,038	49,128	51,238	51,994	2,404,579
Professional fees	51,573	33,266	115,761	97,962	3,368,254
Provision for losses	111,613	53,770	117,750	111,186	4,981,474
Salaries	285,867	328,156	548,668	522,583	20,561,887
Training & development	4,248	6,114	15,386	10,483	379,700
Travel	37,382	40,535	44,537	39,255	2,069,158
Program expense	139,760	820,034	614,599	689,237	29,281,209
Other	6,618	3,736	274,591	185,392	3,880,114
Total expenses	**790,754**	**1,445,593**	**2,001,117**	**1,954,448**	**75,661,259**
Net Profit	**-113,814**	**140,050**	**-185,155**	**107,331**	**2,452,587**

Appendix "C" Expense Definitions

Advertising and Promotions
Promotional and advertising materials and events.

Collection Expense
Generally considered to be 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
This refers primarily to office equipment. However, a few AFIs own the office space that they are domiciled in.

Interest and Bank Charges
Straightforward, 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 expenses and honorariums. It is noted that honorariums are by generally associated with ACCs.

Office and Administration (averages)
Costs related to office expenses such as office supplies, small equipment purchases of under $500, insurance, licenses and dues and, finally, 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 to be uncollectable subsequent to realization of security.

Salaries
Self-explanatory – includes employee benefits

Training and Development
Costs for 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
Pertains primarily to costs associated with specific projects, which have intermittently been undertaken by AFIs.

Appendix "D" 2012 Consolidated Loan Statistics

Loan data	SR	SR	LR	LR	All AFIs
	Unprofitable	Profitable	Unprofitable	Profitable	Consolidated
	Av AFI	Av AFI	Av AFI	Av AFI	Total
Cumulative loans provided by $	13,235,443	14,672,639	76,026,980	47,262,625	1,750,189,495
Cumulative loans provided by #	432	400	911	1,418	35,576
Historical loans w/o #	58	45	122	145	4,280
Historical loans w/o $	1,248,341	861,279	3,518,911	3,055,258	101,671,244
% loans w/o by #	13.38%	11.35%	13.43%	10.25%	12.03%
% loans w/o by $	9.43%	5.87%	4.63%	6.46%	5.81%
# of loans to start-up businesses in year	6	9	7	30	565
$ of loans to start-up businesses in year	216,230	406,700	504,687	1,264,644	26,356,499
# of new loans to existing businesses in year	11	11	21	18	755
$ of new loans to existing businesses in year	573,873	595,472	4,757,256	1,477,581	88,191,104
Total # of all loans provided during year	16	21	31	52	1,395
Total $ of all loans provided during year	880,686	1,038,272	5,488,272	3,036,827	121,737,892
Loan Loss Reserve $	399,216	375,938	732,919	355,272	24,438,887
Loan Loss Reserve % of GLP	18.35%	12.33%	6.42%	3.94%	8.29%
# loans/investments outstanding	53	75	87	130	4,173
Net loan investment portfolio	1,780,234	2,672,778	10,690,303	8,541,607	269,644,915
Gross Loan Investment Portfolio	2,175,378	3,048,715	11,423,222	9,013,308	294,946,009
Average loan balance	40,863	40,854	132,060	69,601	70,680
Gross interest yield on GLP	5.73%	3.07%	2.58%	0.35%	3.62%
Days Interest Accrual	48	119	15	89	53
Repayment Efficiency Net of GLP	90.57%	94.13%	95.37%	93.54%	94.19%

Appendix "E" 2012 Consolidated Staffing Data

2012	SR Unprofitable Av AFI	SR Profitable Av AFI	LR Unprofitable Av AFI	LR Profitable Av AFI	All AFIs Consolidated Average
Average # of loans in GLP	53	75	87	130	79
Average loan balance	40,863	40,854	132,060	69,601	70,680
Average GLP	2,175,378	3,048,715	11,423,222	9,013,308	5,565,019
Average # of Account Managers	1.15	1.78	1.82	2.00	1.62
Average number of BSOs	0.71	0.79	1.17	1.69	0.99
Average number of support staff	1.56	1.47	2.45	2.25	1.84
Average total staff	4.18	4.75	7.67	7.38	5.62
Average # of loans per AM\BSO	29	29	29	35	30
Average # of loans per employee	20	23	20	30	23

Appendix “F” 2012 Consolidated Operational and Liquidity Data

2012 Operational & Liquidity data	SR	SR	LR	LR	All AFIs
	Unprofitable	Profitable	Unprofitable	Profitable	Consolidated
Operational Data	Av AFI	Av AFI	Av AFI	Av AFI	Total
Bad debt recovery as % Rev	2.76%	0.67%	0.57%	0.05%	0.73%
Fee Rev as % of total rev	10.18%	3.83%	12.69%	12.29%	7.80%
Loan Interest as % of total Rev	15.70%	10.48%	22.10%	23.37%	22.97%
Program Rev as % of total Rev	31.72%	51.69%	59.08%	39.84%	42.31%
Revenue- % of total Assets	19.74%	25.38%	15.78%	12.93%	15.89%
Expenses %of Total Revenue	116.82%	91.07%	92.01%	77.53%	96.86%
Expenses per Loan	14,854	18,420	16,105	14,552	8,258
% Expenses of Net Loan Portfolio	44.42%	51.72%	33.16%	22.06%	28.06%
Net Income as % of Revenue	-16.82%	8.93%	-0.34%	22.47%	3.14%
Net Income as % of Total Assets	-3.32%	2.27%	-0.05%	2.90%	0.50%
Cost of Capital	574,861	394,062	780,842	778,798	34,460,131
Cost of Capital % of GLP	35.55%	26.18%	23.81%	18.08%	24.47%
Cost of Capital per Outstanding Loan	10,798	5,658	6,888	6,014	8,258
Liquidity					
Loan Capital Contributions and capital debt	2,952,415	2,610,041	7,859,763	9,951,939	334,935,464
Total Assets % Loan Capitalization	116.11%	212.65%	159.97%	188.93%	146.77%
Liquid cash	1,254,738	2,020,989	1,949,965	2,834,563	121,247,574
Deployed Loan Capital	135.72%	92.08%	75.68%	90.57%	88.06%
Self sufficiency					
Operational efficiency	85.60%	109.80%	108.69%	128.98%	103.24%
Financial self sufficiency	72.99%	63.72%	85.33%	69.73%	68.50%

Appendix "G" 2012 Consolidated Loan Capital Absorption Rate and Leverage Data

2012	SR Unprofitable Av AFI	SR Profitable Av AFI	LR Unprofitable Av AFI	LR Profitable Av AFI	All AFIs Consolidated Total
Loan Capital Absorption Rate	448.29%	519.88%	570.30%	474.91%	522.55%
Liquid Cash as Percentage of GLP	58.93%	70.85%	31.08%	-15.76%	29.72%
Leverage	145.61%	117.59%	56.56%	66.57%	65.35%
Client equity	276,874	420,540	239,168	627,700	15,814,245
Government contributions	380,327	186,024	588,338	610,169	17,725,144
Conventional lenders	577,259	512,110	186,429	753,354	20,908,732
Other AFI Network lenders	47,926	102,200	2,090,026	30,352	25,106,461
Total leveraged	**1,282,386**	**1,220,873**	**3,103,961**	**2,021,574**	**79,554,582**

Appendix "H" Net AFI Cost of Capital Calculation

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	5 Year RA
CODL[36] summary						
Loan Portfolio Revenue as % GLP	8.97%	8.92%	8.69%	8.60%	8.34%	8.70%
Admin Expense as % GLP	12.15%	9.66%	9.32%	8.01%	9.78%	9.79%
Loan loss as % of historical loans	6.29%	6.37%	6.33%	6.16%	5.81%	6.19%
Cost of funds as % of GLP	0.28%	0.26%	0.21%	0.26%	0.22%	0.24%
Cost of capital	18.72%	16.29%	15.87%	14.44%	15.80%	16.22%
C**ODL shortfall**	**-9.76%**	**-7.37%**	**-7.17%**	**-5.84%**	**-7.46%**	**-7.52%**

[36] Cost of Developmental Lending (CODL)

Appendix "I" Smaller and Larger Geographical Region AFI Listing

Smaller Region AFIs	Smaller Region AFIs continued	Larger Region AFIs
1 *Akaitcho Business Development Corporation*	21 *Rainy Lake Tribal Area Business & Financial***	1 *Alberta Indian Investment Corporation*
2 *Atuqtuarvik Corporation*	*22 Sahtu Business Development Centre**	2 *All Nations Trust Company*
3 *Baffin Business Development Corporation*	23 Southeast Resource Development**	3 *Apeetogosan (Métis) Development Inc.*
4 *Beaver River Community Futures Development*	*24 Sto:Lo Development Corporation***	4 *Arctic Cooperative Development Fund*
5 *CFDC of Central Interior First Nations*	25 *Tale' Awtxw Aboriginal Capital Corp*	5 Clarence Campeau Development Fund**
6 *Cedar Lake CFDC*	26 *Thebacha Business Development Services*	6 *Däna Näye Ventures*
7 *Corporation Développement Économique Montagnaise*	27 *Tecumseh Development Corporation*	7 First Nations Agricultural Lending Association*
8 *Dakota Ojibway CFDC*	28 *Treaty Seven Economic Development Corp*	8 *First Peoples Economic Growth Fund Inc.*
9 Deh Cho Business Development Centre*	29 *Tribal Resources Investment Corp.*	9 Indian Agricultural Program of Ontario**
10 *EEYOU Economic Group/CFDC Inc.*	30 Two Rivers Community Development Centre**	10 *Indian Business Corporation*
11 *Haida Gwaii*	31 *Visions North CFDC*	11 *Louis Riel Capital Corporation*
12 *Keewatin Business Development Centre (Kivalliq)*	*32 Wakenagun Community Futures Dev. Corp.*	12 *Nishnawbe Aski Development Fund*
13 *Kitayan CFDC*	33 Waubetek Business Development Corp**	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 North West Manitoba CFDC**		17 *Settlement Investment Corporation*
18 *Northern Enterprise Fund Inc.*		18 *Société de crédit commercial autochtone*
19 *Nunavik Investment Corporation*		19 *Tribal Wi-chi-way-win Capital Corporation*
20 *Nuu-chah-nulth Economic Development*		20 *Ulnooweg Development Group Inc.*

No shading depicts an Aboriginal Capital Corporation (ACC)

Light gray shading depicts an Aboriginal Developmental Lender (ADL)

Dark gray shading depicts an Aboriginal Community Futures Development Centre (ACFDC)

AFIs whose names are italicized provided both current year end audited financial statements and supporting data enabling the compilation of this report.

*Current yearend audited financial statements and supplemental AFI data not provided\included – most recent year-end data used
** Current yearend audited financial statements provided; however the most current yearend supplemental data was not provided\included – most recent year-end supplemental data used.

Appendix "J" Significant AFI Milestones and events:

1985 ~ the concept of AFIs is developed with a specific purpose to improve efficiencies in program design and delivery through increased Aboriginal control. Over the next few years, demand for AFI establishment exceeds expectations and a nationally-based network of lending, mentoring and training and development is established.

1991 ~ Six years after the establishment of the network, collective loans advanced to Aboriginal entrepreneurs exceed $100 million.

1994 ~ the consolidated gross loan portfolio surpasses $100 million and accumulated payback of advances to entrepreneurs also exceeds $100 million.

1996 ~ the number of loans provided by the network exceeds 10,000. Over the next few years, plans are developed to establish a national organization to manage government programs and to represent the issues associated with Aboriginal entrepreneurial lending on behalf of the network to the government.

1997 ~ The National Aboriginal Capital Corporations Association (NACCA) is formally established with 22 Aboriginal Financial Institutions as founding members.

2000 ~ NACCA receives Deputy Minister's award in recognition of excellence as a member of the Aboriginal Business Development initiative Access to Capital Team. Membership in NACCA is made available to any interested AFI.

2001 ~ NACCA membership exceeds 50 AFIs and the AFI gross loan portfolio exceeds $150 million. AFI loans to entrepreneurs exceed 20,000 and payback of AFI loans, on a cumulative basis, exceeds $500 million.

2004 ~ Cumulative AFI loans exceed $1.0 billion since inception.

2005 ~ AFI gross loan portfolio value surpasses $200 million.

2007 ~ Cumulative AFI loans exceed 30,000.

2009 ~ AFIs provide more than $100 million in loans to support Aboriginal entrepreneurialism in single fiscal year. Cumulative AFI loans since inception exceed $1.4 billion and cumulative payback surpasses $1.0 billion.

2010 ~ Individual AFIs and NACCA members begin to receive external recognition for excellence. SIEF becomes the first entrepreneurial formed AFI to obtain more than $50 million in loan repayments while TWCC wins CANDO Economic Developer of the Year award and received recognition as Manitoba's 12th fastest growing company.
Based upon job creation data gathered NACCA determines each AFI loan creates/maintains an average of 3.6 full time equivalent jobs at an average cost of $13,079 per job.

2012 ~ Cumulative AFI loans since inception exceed $1.7 billion. For the third consecutive year AFI loans to Aboriginal entrepreneurs approximate $100 million.