



FIRST

Canada's first fully independent Aboriginal bank

2012 ANNUAL REPORT

FIRST NATIONS BANK

The Aboriginal Bank

OF CANADA



STRONG AND STEADY ASSET
GROWTH. BRANCHES IN FOUR
PROVINCES AND TWO TERRITORIES.
FINANCIAL STRENGTH WITH THE
CAPACITY TO INVEST. RELATIONSHIPS
IN REGIONS ACROSS CANADA.
LEADERSHIP AND STABILITY AT EVERY
LEVEL. *CANADA'S FIRST FULLY
INDEPENDENT ABORIGINAL BANK.*



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OUR SHAREHOLDERS

Our Aboriginal shareholders include groups from Nunavut, Northwest Territories, Yukon, Saskatchewan, Manitoba and Quebec. Our Aboriginal shareholders are progressive, like-minded organizations, culturally and linguistically diverse, and all respected leaders in their regional economies. The Toronto-Dominion Bank, a founding strategic partner, is a minority shareholder.

Our shareholders are important contributors to our continued growth and success. Shareholders and their participating interest include:

Saskatchewan Indian Equity Foundation Inc. (SK)	19.43%
Atuqtuarvik Corporation (NU)	17.66%
Cree Regional Authority Board of Compensation (QB)	8.68%
James Bay Eeyou Corporation (QB)	8.68%
Gwich'in Settlement Corporation (NWT)	7.06%
Onion Lake Cree Nation (SK)	3.53%
Tribal Councils Investment Group of Manitoba Ltd. (MB)	3.24%
Champagne Aishihik Trust (YK)	2.27%
Vuntut Gwitchin First Nation (YK)	1.77%
Vuntut Gwitchin Limited Partnership (YK)	1.77%
Carcross Tagish First Nation (YK)	1.77%
Ta'an Kwäch'an Council (YK)	1.77%
däna Näye Ventures (YK)	1.14%
Yukon Indian Development Corporation Ltd. (YK)	1.14%
63 other First Nations and tribal groups in Saskatchewan (SK)	0.26%
The Toronto-Dominion Bank	19.83%
Total	100.00%

OUR STRENGTH

\$285.8 MILLION

ASSETS TO INVEST IN ABORIGINAL FAMILIES, BUSINESSES AND COMMUNITIES

Our strong asset base gives us the lending power and financial strength to help our customers build for the future.

80%

STRENGTH IN OWNERSHIP

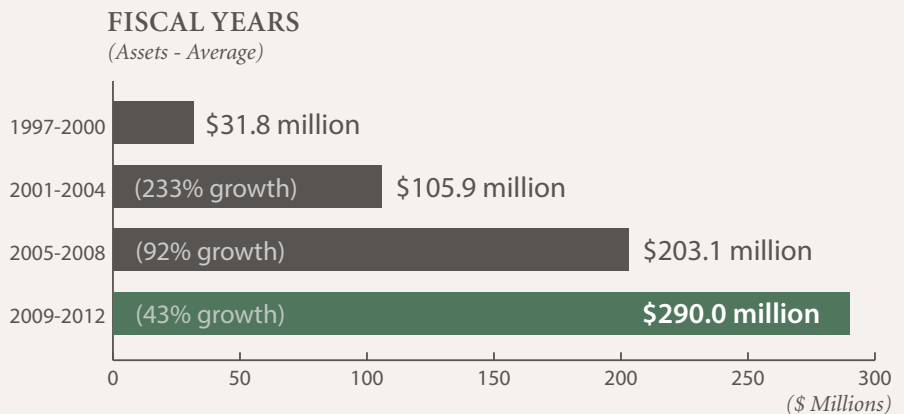
The percentage of shares held by Aboriginal investors across Canada reflects our founding values and commitment to Aboriginal ownership.

\$1.24 MILLION

STEADY INCOME REFLECTS STABILITY

Solid earnings in a year of transition to our new operating system.

EXCEPTIONAL RATE OF GROWTH



Since 1997, we have significantly increased total assets held by our bank and our percentage of Aboriginal market share.

LETTER *from the* CHAIRMAN & CHIEF EXECUTIVE OFFICER

We are known for many firsts.

We are often the first bank to establish a retail presence in the local community. We are the first financial institution to draw and train talent from the community itself. For some of our customers, we are their first banking experience. For many more, we are the first bank to come to the table with financial solutions and options.

We are proud of these firsts, and the many successes, that now define us.

We have achieved years of steady asset growth. We have opened seven full-service branches in four provinces and two territories. We have attracted established leaders in banking and Aboriginal economic development to our board table. And, this year, we completed our transition away from the operating systems of TD Bank to become Canada's first, fully independent Aboriginal bank.

After several years of planning and mapping this transition from start to finish, we now have the systems, tools and autonomy to more fully meet the needs and ambitions of our customers. It is a new chapter for First Nations Bank and a first for Aboriginal banking in Canada.

For us, it is not just about getting there first. It is about getting it right.

It is about staying true to the vision and values that first established our bank. It is about building a strong workplace culture that attracts and retains highly talented, highly motivated Aboriginal people to great careers. It is about reaching out to our traditionally underserved communities and helping them tap into the capital and financial services they need to grow. It is about offering a customer experience as genuine and warm as the people we serve.

This year's report highlights these successes and features those who continue to set us apart. Thanks to them, we achieved a year of tremendous transition and change while continuing to explore new markets and serve customers better.

Together, we have created a financial institution that stands alone in Canada's banking sector – a bank with a unique focus, a clear vision and commitment to putting the dreams and ambitions of Aboriginal people first.

KEITH MARTELL
Chairman & Chief Executive Officer

March 2013



We are a Canadian

FIRST

We have an Aboriginal focus and unique approach that sets us apart:

- A vision to invest in what matters.
- Services and solutions tailored to our customers.
- Employees drawn from the communities we serve.
- Partnerships grounded in trust and respect.
- Strong and stable leadership at every level.

We are a Canadian
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When Atuqtuarvik Corporation looked for a way to introduce a new financial institution into Nunavut, they saw FNBC as a viable partner who could expand banking services to Nunavummiut.

“First Nations Bank was a perfect fit,” explains Ken Toner, Atuqtuarvik’s President and Chief Executive Officer. “We found a partner who shared our goals, our approach and our commitment to Aboriginal economic development. The opportunity for the Inuit of Nunavut to invest in the bank itself, as owners, was also attractive to us.”

Since 2000, Atuqtuarvik has provided loans and equity investments to Inuit-owned businesses across the Territory. In a region without venture capital firms or merchant banks, it has become an important source of financing for northern business owners and communities.

Together, Atuqtuarvik and FNBC have worked closely with business-owners and entrepreneurs to grow their companies. In 2011, Iqaluit welcomed a full-service FNBC branch. Banking services are a critical part of a community’s business infrastructure, and are key enablers of economic expansion. The presence of a full-service Chartered bank in Iqaluit, with Inuit ownership, will facilitate economic development in the territory.

“The benefits of our ownership and relationship with FNBC are significant,” said Ken. “With the Inuit of Nunavut being a shareholder in FNBC, every dollar deposited and invested in the bank helps to grow the Nunavut economy. We look forward to continuing our prosperous relationship with FNBC as they expand their banking services in Nunavut.”

Ken Toner
Atuqtuarvik Corporation



A VISION TO INVEST IN *WHAT MATTERS*

At First Nations Bank, strong asset growth means economic development for Aboriginal communities, investment capital for growing businesses, and resources for families looking to improve their lives. Most banks focus on growth as the goal. We think about growth from the point of view of our customers – and the goals they can achieve leveraging our financial strength.

Since our founding, we have achieved consistent growth in assets, volumes and deposits and reinvested this success in Aboriginal families, businesses and communities across Canada. This has been our approach from the start and will continue to be our priority as we grow both our assets and operations into the future.

For most mainstream banks, the goal is the next transaction. At First Nations Bank, our focus is transformation. We see our strength as an opportunity for Aboriginal people to achieve “firsts” in their own lives – as new homeowners, business leaders and developing communities.

2012 Highlights

- Our asset base continues to put us in the top-tier of well capitalized Canadian financial institutions.
- Both our long standing and recently established branches contributed to our performance and success in 2012.
- Net income held steady from 2011 in a year of transitioning to a new operating system and the building of infrastructure to support it.
- Loan and mortgage assets increased contributing to total loan growth of \$11.0 million.
- Net interest income (the total of interest earned less interest paid on deposits) increased by \$809 thousand.

Looking Ahead

- Grow our loans and deposits to continue growing our real return on equity through 2013.
- Identify and approach high-potential investors, First Nations governments and growing communities in developing markets.
- Continue to explore the untapped potential of Canada’s North as a source of new customers and partners.
- Leverage the capacity of our new operating system to grow volumes and extract value from current markets.
- Maintain our strong liquid position to invest in the goals of our customers.

TOTAL EQUITY

\$31.4 MILLION

We are among the best-capitalized Aboriginal financial institutions in the country with the capacity to invest in the dreams of our customers.

DEPOSITS

\$251.4 MILLION

Deposit activity in 2012 reflected continued satisfaction and customer confidence in the level and type of service we provide. Our total number of customer accounts grew in fiscal 2012.

LOAN VOLUMES

UP 5.1%

Our volumes increased by 5.1% or \$11.0 million in 2012 fuelled by growth in mortgage and business loans. Overall, net interest income from our mortgage, personal and business lending increased by 9.0% or \$809 thousand.

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First Nations Bank has adopted the latest in banking technology to better serve its customers.

The new platform – DNA™ by Open Solutions, now part of Fiserv – was implemented as part of a bank-wide transition from the operating system of TD Bank.

First Nations Bank is the first bank in the country to use this state-of-the-art technology, joining over 100 other Canadian financial institutions that already depend on DNA.

“It was more than a technology conversion for First Nations Bank,” says Erik Ristow, Program Manager for Fiserv.

“It was an infrastructure overhaul where everything was made new. There wasn’t one process that wasn’t touched during this implementation.”

The Open Solutions team worked closely with First Nations Bank to transition the bank to the new core platform over an 18 month period. Before the change, a customer’s account information, transaction activity and other information was stored in multiple locations within FNBC’s system – a challenge common to many mainstream financial institutions. The new system runs on a single technology platform where all customer information is stored in one spot, available at the click of a mouse.

“With DNA, First Nations Bank will gain a better understanding of their customers’ needs to provide the kind of personal, one-on-one service they’ve come to expect,” explains George Hofsink, Vice-President and Managing Director at Fiserv. “This new technology will set FNBC apart and shows a real commitment on the part of First Nations Bank to its customers and shareholders.”

George Hofsink

Fiserv



SERVICES AND SOLUTIONS TAILORED TO *OUR CUSTOMERS.*

When we set out to become Canada's first Aboriginal bank, we saw an opportunity to replace traditional ways of lending and banking with fresh approaches to support the dreams of our customers.

Aboriginal people needed a bank that could connect with them on a personal level, provide counter services in their home communities and offer them products designed to meet their unique needs. There was a need for First Nations Bank.

Today, we operate full-service branches in regional hubs located in four provinces and two territories. We use our own approach to lending to extend credit to those who need it. And, we offer a full suite of account services and related products to help our customers borrow, manage their earnings and save for the future.

We will continue to innovate and shape our operations around our customers as we implement our new operating platform and explore new products and services. It was the needs of Aboriginal families, communities and businesses that first inspired the creation of our bank. Their needs, dreams and ambitions will shape how and where we grow into the future.

2012 Highlights

- We completed our transition from TD operating systems, platforms and financial products.
- We invested in employee training related to the implementation and operation of our new system.
- We reached out to customers to minimize the impact of our transition on their day-to-day banking.
- We introduced new telephone and Internet banking services for the convenience of customers, particularly those in remote locations.
- We rolled-out new product brochures and ATMs to reflect our new brand and services.

Looking Ahead

- Continue to review our operations, internal controls and business processes for improvement opportunities.
- Continue to refine our lending and loan adjudication practices, improving client relationships and communications.
- Identify small market and full-service branch opportunities in underserved regions.
- Grow our network of branches by acquisition or organically on a steady, return-on-equity basis.
- Through customer feedback, identify new banking products that will best meet the needs of the Aboriginal market.

LOAN LOSSES

LESS THAN

1%

Because we take the time to structure our loans to fit the unique needs of our customers, our loan write-offs, as a percentage of loan volumes, are among the lowest in Canadian banking.

LOCATIONS

9

Number of First Nations Bank branches and banking centres located in regional hubs across four provinces and two territories.

CUSTOMER CARE

76%

The percentage of front line and administrative positions held by Aboriginal people at First Nations Bank. Because we hire people from our local communities, we are able to provide counter services in the languages of our customers.

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Three years ago, Rebecka Hodge was waiting on tables in a local coffee shop. Today, she works as a Financial Services Representative, serving up financial options and solutions to customers at First Nations Bank's Whitehorse branch:

"I'm a people person and I like to help others so when I was offered the opportunity to join First Nations Bank, I jumped at it."

Rebecka started as a Customer Service Representative responsible for teller services before she was offered training and promoted to her current role where she oversees personal and business accounts and sits down with customers to explore their banking needs. This one-on-one time with customers is what she loves most.

"I love hearing what our customers are up to," says Rebecka.

"Whitehorse is a 'big' small town where people are super friendly, easy-going and get to know each other on a personal level. That's our approach at FNBC and why people keep coming back to us. We're part of the community."

People appreciate Rebecka's personal style and approach. It is not unusual for some of the branch's regular customers to bring Tim Horton's coffee and treats for the staff when they pop into the branch to do their banking.

"It's one of the ways we know we've made a connection," notes Rebecka. "When they come into our branch, they are treated like people, not just customers."

"We're neighbourly. That's what sets us apart."

Rebecka Hodge
Employee



EMPLOYEES DRAWN FROM *THE COMMUNITIES* WE SERVE.

We are committed to drawing and developing employees from our communities. We think it is the best way to personally welcome and serve every customer, contribute to Aboriginal economic development and offer people meaningful careers close to home.

Retaining our talent is also a priority. Whether it occurs on the front lines or at the highest levels of our bank, turnover comes at a cost to our business and weakens the long-term, personal relationships we want to build with our customers.

That is why we have worked hard to build a workplace that recognizes and rewards people for their contributions. We want our employees to feel supported, motivated and proud of their work. When people outside our organization think about starting or changing careers, we want them to think of us first.

Our people bring care, energy and talent to work every day. Through them, we continue to connect with our customers on a personal level, serving them in their home languages and communities and providing services and solutions to help them pursue a brighter future.

2012 Highlights

- We launched a web-based Employee Portal to improve internal communication and information sharing.
- We introduced an employee recognition program that recognizes exceptional performance and years of service.
- We implemented bank-wide Aboriginal cultural awareness training so our employees understand the needs of all FNBC customers – no matter where they live.
- We created and filled new positions at both management and administrative levels to sustain the momentum of our growth.

Looking Ahead

- Introduce a new Associate Trainee Program in retail lending for young people looking to enter the industry.
- Continue to attract talented post-secondary graduates through career fairs and institutional sponsorships.
- Deliver training programs so employees have the skills and tools they need to serve our customers.
- Offer leadership development opportunities for current management and those who may fill these roles in the future.
- Create opportunities for career advancement and promote from within.

ENGAGEMENT

89%

Percentage of our employees who feel engaged and proud to work for First Nations Bank based on an independent survey. These results placed us in the top five percent of the 69 companies surveyed.

RETENTION

5.5 YEARS

Average years of service among all First Nations Bank employees. Because we have an experienced and stable workforce, we are able to build lasting relationships with our customers.

CAREERS

8

The net number of new positions we created in 2012. These new positions allowed us to recruit new talent into our organization at both the management and administrative levels.

We are a Canadian
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First Nations Bank and Yellow Quill First Nation continue to enjoy a partnership that reaches back to 1997. That year, Yellow Quill purchased an office building in downtown Saskatoon and First Nations Bank became one of its first tenants.

“First Nations Bank reached out to us, a new commercial property owner, by establishing its executive offices and Saskatoon branch in our new building,” says Ron Waddington, band member and Managing Director of Yellow Quill Holdings Inc. “It says a lot about their commitment to establish relationships with First Nations and invest in their success.”

First Nations Bank leases its office and retail spaces from its shareholders and partners, thereby contributing to community economic development. It is a longstanding practice that has helped to set FNBC apart and demonstrate its values in action.

“What separates FNBC from other financial institutions is that they have a better understanding of dealing with and working with First Nations communities and businesses,” explains Ron. “They really believe in win-win relationships and care about the success of their partners.”

This Fall, Yellow Quill will break ground on its latest commercial development: a modern 75,000 square foot office tower on a site adjacent to its current building in downtown Saskatoon. First Nations Bank has already secured space in the new building that will feature a newly designed branch and offices to accommodate its head office employees.

Ron Waddington
Yellow Quill First Nation



PARTNERSHIPS GROUNDED IN TRUST AND RESPECT.

Relationships are at the heart of our business. It starts with a simple conversation and quickly grows into a relationship where, together, we find common ground and a way forward.

One conversation at a time, we have earned the trust and confidence of partners, shareholders and other stakeholders in regions across Canada, becoming the largest Aboriginal bank in the country. These relationships have made us stronger and have accelerated our growth. They have helped us build our brand, and broaden our reach, as partners in participatory lending, community investment and Aboriginal economic development.

In a marketplace that is competitive and crowded – where promises and partnerships are extended everyday – we have built a reputation as a true partner to those who work with us. At First Nations Bank, partnerships start from a place of openness, honesty and mutual respect. From there, we commit to success and results – for FNBC and those we are proud to call our partners.

2012 Highlights

- We participated in APTN National Aboriginal Day Live – an event that reached over 30,000 in Winnipeg with the broadcast connecting millions across the country.
- We worked closely with current partners and customers to address their questions around our banking system conversion.
- Employees in our branches volunteered their time and donated to charitable causes at the local level.
- Through our partnerships, we attracted new retail and commercial customers, bringing our total number of customer accounts to over 12,000.

Looking Ahead

- Continue to nurture trusting relationships with First Nations governments and funding agencies to broaden our reach.
- Support initiatives and causes, at the local and national level, that speak to our purpose and core values.
- Continue to connect with community partners through regular communication, marketing initiatives and other outreach activities.
- Formalize our approach to corporate social responsibility to make supporters and advocates of our stakeholders.

COMMUNITY

\$86.8 THOUSAND

Amount of sponsorship dollars invested in Aboriginal events, organizations and local communities in 2012. Major sponsorships included National Aboriginal Day festivities and the national conference of the Aboriginal Financial Officers Association (AFOA).

NEW MARKETS

4

Number of new small market and full-service branches we are planning to reach Aboriginal families, businesses and communities looking for a partner to reach their goals.

We are a Canadian
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The Grand Council of the Crees knows how to turn adversity into Aboriginal economic development. Forty years ago, a huge hydro-electric development flooded 12,000 sq. kilometers of northern Quebec Cree land, rendering it unusable. The tribal council negotiated financial compensation for their loss and invested the funds in new ventures and spin-off opportunities for the Cree who call the James Bay region home.

“We broke the mould,” explains Bill Namagoose, Executive Director, noting the Council’s range of holdings from a construction company to an airline. “In a lot of ways, we are a model of economic development and self-government.”

This idea of “self-determination through wealth creation” is an important principle that guides Bill and the Board of Directors at First Nations Bank. Together, they oversee the direction and performance of the bank, ensuring that it remains a vehicle for First Nations and Aboriginal communities to achieve economic self-sufficiency.

“A financial institution is one of the flagships of nationhood,” observes Bill. “When you control capital, you have the power to shape the future.”

As Lead Director, Bill notes how much the bank has evolved over the last fifteen years, pointing to its strong asset growth and the quality and competency of leaders around its board table:

“We come from different backgrounds but we share a commitment to compliance and good governance. Earning the trust of our investors and customers is our top priority. It’s their hard-earned money...they expect us to put their interests first.”

Bill H. Namagoose
Grand Council of the Crees



STRONG AND STABLE *LEADERSHIP* AT EVERY LEVEL.

About half of our directors are professional bankers with experience leading some of Canada's largest banks. The other half are highly-engaged Aboriginal leaders drawn from progressive communities and organizations from across the country. As a board, they have helped us stay true to our vision and values. Together, they continue to chart a course for our future.

Our future looks bright thanks to a team of dedicated managers who provide leadership to our staff, put the needs of our customers first, and oversee our banking operations every day. Thanks to them, no one can match the creative approach we take to lending, serving and supporting the dreams of our customers.

As we refine the practices of our board, and develop the competencies of our managers at every level, we will continue to draw on the energy, strength and experience of these leaders to drive our strategy and realize the vision of our founders.

2012 Highlight

- We improved our governance practices based on Institute of Corporate Directors (ICD) training for our directors.
- We made senior-level hires in key areas, adding capacity in legal, accounting and executive management.
- We continued to refine our management structure, streamlining approvals, improving communication and increasing accountability.
- Our directors and managers reviewed our corporate strategy and state of readiness in the lead up to our transition from the operating system of TD Bank.

Looking Ahead

- Continue to invest in quality training and development programs for our managers and directors.
- Attract and retain leadership that enables us to pursue our long-term goals.
- Continue to implement governance practices that minimize risks and ensure that we operate with integrity and transparency.
- Seek to understand and meet the expectations of our shareholders.
- Deliver on our promise to maximize shareholder value and reinvest in our communities.

MANAGEMENT

9 YEARS

Average years of service among senior managers at First Nations Bank.

BOARD

95%

Attendance and participation rate of our Directors at scheduled board and committee meetings. Directors of First Nations Bank have served an average of 10 years.

BALANCE

50/50

The composition of our Board reflects our unique focus on banking and Aboriginal economic development. Half of our Directors bring senior-level experience in banking and the other half come to us from leading Aboriginal organizations.

FINANCIAL REPORTING RESPONSIBILITY

The financial statements of First Nations Bank of Canada and related financial information presented in this annual report have been prepared by management, which is responsible for this report's integrity, consistency, objectivity and reliability.

The accounting policies followed by the Bank, including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada, conform in all material respects with international financial reporting standards with management exercising its judgment and having made best estimates where deemed appropriate.

The Bank's accounting system and related internal controls are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business conduct throughout the Bank. The Bank's Board of Directors, acting through the Audit and Risk Management Committee, oversees management's responsibilities for the financial reporting and internal control systems. The Bank's Chief Internal Auditor, who has full and free access to the Audit and Risk Management Committee, conducts a program of risk-based audits in coordination with the Bank's shareholders' auditors. This program is an integral part of the system

of internal control and is carried out by a professional staff of auditors. The Office of the Superintendent of Financial Institutions Canada makes such examination and inquiry into the affairs of the Bank as it may deem necessary to satisfy itself that the provisions of the Bank Act, having reference to the safety of the depositors, are being duly observed and that the Bank is in a sound financial condition. Ernst & Young LLP, the shareholders' auditors, have audited our financial statements. They have full and free access to meet with the Audit and Risk Management Committee to discuss their audit and any matters arising from the audit, such as comments they may have on the fairness of financial reporting and the adequacy of internal controls.

KEITH MARTELL

Chairman and Chief Executive Officer

ARDEN BUSKELL

President and Chief Operating Officer

CHERYL FOSTER

Chief Financial Officer

REPORT *of the* INDEPENDENT AUDITOR

on the Summary Financial Statements

*To the Readers of the
Summary Financial
Statements of First Nations
Bank of Canada*

The accompanying summary financial statements, which comprise the summarized statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010 and the summarized statements of comprehensive income, changes in equity and cash flows for the years ended October 31, 2012 and October 31, 2011, are derived from the audited financial statements of First Nations Bank of Canada for the year ended October 31, 2012. We expressed an unmodified audit opinion on those financial statements in our report dated March 1, 2013. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of First Nations Bank of Canada.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of First Nations Bank of Canada for the year ended October 31, 2012 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.



Edmonton, Canada,
March 1, 2013

Summarized Statements of

FINANCIAL POSITIONThe complete financial statements may be viewed at www.fnbc.caAs at
(in thousands of dollars)

	October 31, 2012	October 31, 2011	November 1, 2010
ASSETS			
Cash and balances with banks	48,554	90,217	88,904
Loans and advances to customers			
Mortgage loans	51,539	45,413	40,889
Personal loans	8,905	9,482	9,422
Business loans	166,706	161,293	144,991
	227,150	216,188	195,302
Current tax receivable	535	–	–
Property and equipment	2,503	2,407	2,489
Intangible assets	4,694	1,857	211
Deferred tax assets	–	97	193
Other assets	2,362	1,201	1,169
Total assets	285,798	311,967	288,268
LIABILITIES			
Due to customers			
Notice deposits	188,892	212,983	178,064
Medium-term certificates	62,485	65,841	61,813
Loans from The Toronto-Dominion Bank	–	–	16,574
	251,377	278,824	256,451
Current tax liability	–	162	95
Derivative financial instrument	217	229	–
Deferred tax liability	528	–	–
Other liabilities	2,263	2,454	2,608
Total liabilities	254,385	281,669	259,154
EQUITY			
Issued capital	23,259	23,259	23,259
Retained earnings	8,154	7,039	5,855
Total equity	31,413	30,298	29,114
Total liabilities and equity	285,798	311,967	288,268

Approved by the Board of Directors



Director



Director

Summarized Statements of

COMPREHENSIVE INCOMEThe complete financial statements may be viewed at www.fnbc.caFor the years ended October 31
(in thousands of dollars)

	2012	2011
INTEREST INCOME		
Term and bank deposits	1,045	1,110
Loans and advances to customer		
Mortgage loans	2,209	2,028
Personal loans	647	663
Business loans	7,421	6,651
	11,322	10,452
INTEREST EXPENSE		
Notice deposits	707	659
Medium-term certificates	833	780
Loans from The Toronto-Dominion Bank	–	40
	1,540	1,479
Net interest income	9,782	8,973
(Reversal) impairment of credit losses	(268)	481
Net interest income after provision for credit losses	10,050	8,492
Fee and commission	3,036	2,941
Other income	78	70
Net operating income	13,164	11,503
NON-INTEREST EXPENSES		
Salary and staff benefits	5,684	5,026
Rent and occupancy	1,315	1,270
Marketing	415	363
Professional fees	989	825
Banking platform	581	–
Central services	711	830
Travel	180	200
Service Agreement	108	125
Other operating expenses	984	683
Depreciation and amortization	442	334
Total operating expenses	11,409	9,656
Income before income taxes	1,755	1,847
Income tax expense	514	569
Net income for the year	1,241	1,278
Other comprehensive income for the year	–	–
Total comprehensive income	1,241	1,278

Summarized Statements of

CHANGES IN EQUITY

The complete financial statements may be viewed at www.fnbc.ca

For the year ended October 31
(in thousands of dollars)

	<i>Issued capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
As at November 1, 2010	23,259	5,855	29,114
Total comprehensive income for the year			
Net income for the year		1,278	1,278
Other comprehensive income		–	–
Total comprehensive income for the year		1,278	1,278
Contributions by and distributions to equity holders			
Dividends to equity holders		(94)	(94)
As at October 31, 2011	23,259	7,039	30,298
Total comprehensive income for the year			
Net income for the year		1,241	1,241
Other comprehensive income		–	–
Total comprehensive income for the year		1,241	1,241
Contributions by and distributions to equity holders			
Dividends to equity holders		(126)	(126)
As at October 31, 2012	23,259	8,154	31,413

Summarized Statements of
CASH FLOWS

The complete financial statements may be viewed at www.fnbc.ca

For the years ended October 31
(in thousands of dollars)

	2012	2011
OPERATING ACTIVITIES		
Income for the year	1,241	1,278
Adjustments:		
Provision for credit losses	(268)	481
Deferred income taxes	625	96
Depreciation and amortization	442	334
	2,040	2,189
Adjustments for changes in:		
Interest receivable	(135)	180
Interest payable	41	(206)
Other receivables	(1,026)	(212)
Current tax receivable	(535)	–
Current tax liabilities	(162)	67
Derivative liability and other liabilities	(244)	281
	(2,061)	110
Changes in:		
Mortgage loans	(6,137)	(4,528)
Personal loans	512	(144)
Business loans	(5,069)	(16,695)
Notice deposits	(24,091)	34,919
Medium-term certificates	(3,356)	4,028
	(38,141)	17,580
Net cash (used in) provided by operating activities	(38,162)	19,879
INVESTING ACTIVITIES		
Purchase of property and equipment	(446)	(230)
Purchases of intangible assets	(2,929)	(1,668)
Net cash used in investing activities	(3,375)	(1,898)
FINANCING ACTIVITIES		
Repayment of loans to the Toronto-Dominion Bank	–	(16,574)
Dividends paid to equity holders	(126)	(94)
Net cash used in financing activities	(126)	(16,668)
Net (decrease) increase in cash and balances with banks during the year	(41,663)	1,313
Cash and balances with banks, beginning of year	90,217	88,904
Cash and balances with banks, end of year	48,554	90,217
Operational cash flows from interest		
Interest paid	1,499	1,685
Income taxes paid	584	281

Board of DIRECTORS

Our Board of Directors is drawn from leaders in business, banking and Aboriginal economic development. Together, they provide for the disclosure of reliable and timely information to shareholders, approve strategy and major policy decisions, oversee executive management and assure the effectiveness of internal controls.

COMMITTEES: 1. Audit & Risk Management **2.** Credit **3.** Corporate Governance & Human Resources **4.** Transition



KEITH G. MARTELL
Chief Executive Officer

Director since November 1996
Committees: 2, 3, 4

Mr. Martell holds a Bachelor of Commerce degree from the University of Saskatchewan. After 10 years with KPMG, and later overseeing finance and fiscal relations for the Federation of Saskatchewan Indian Nations, he played a lead role in the founding of First Nations Bank. He is a Chartered Accountant, Certified Aboriginal Financial Manager, and serves as a Director on the boards of PotashCorp, the Canadian Chamber of Commerce and Saskatoon Friendship Inn. He is a trustee of the Primrose Lake Settlement.



ARDEN E. BUSKELL
President and Chief Operating Officer

Director since September 2002
Committees: 4

Mr. Buskell is a graduate of the University of Manitoba with a B.Sc. in Agriculture and holds Certified Management Accountant (CMA) and Certified Aboriginal Financial Manager (CAFM) designations. Prior to joining First Nations Bank, he held a number of senior roles with TD Bank in credit risk management, commercial management and business development. He currently serves on the board of the Canadian Council for Aboriginal Business (CCAB).



BILL H. NAMAGOOSE
Lead Director

Director since February 2002
Committees: 3, 4

Mr. Namagoose is the Executive Director of the Grand Council of the Crees (Eeyou Istchee). He is chair of the Management Committee of the Grand Council of the Cree and Cree Regional Authority. He is a Director of the Cree Board of Compensation, the CEO of the Cree Limited Partnership, and Chairman of the Cree/Naskapi Pension Plan. He is from the Waskaganish First Nation where he previously served as Chief and Director of Operations.



AUDREY AHENAKEW
Director

Director since April 2010
Committees: 2, 3

Ms. Ahenakew currently works as the Human Resource Liaison for the Saskatchewan Indian Cultural Centre after retiring as Assistant Manager, Aboriginal Banking for Canada, for a major Canadian bank in 2001. She is a Director on the board of the Saskatchewan Indian Equity Foundation and is a past Director of the Saskatoon Regional Health Authority and the Saskatchewan Cancer Agency. She is a past recipient of the prestigious Circle of Honour Award by the Federation of Saskatchewan Indians.


CHRISTOPHER D. DYRDA
Director
Director since February 2001

Committees: 1, 2, 4

Mr. Dyrda is Senior Vice-President – Business Banking, Ontario District with TD Bank Group. He holds a Master of Business Administration degree from Queen’s University in Kingston, Ontario and a Bachelor of Commerce degree from the University of Manitoba. In 2009, he earned the ICD.D designation from the Institute of Corporate Directors. He joined TD in 1981 and has held a variety of positions of increasing responsibility. He resides in Ottawa, Ontario.


J. URBAN JOSEPH, O.C.
Director
Director since November 1996

Committees: 1

Mr. Joseph holds an associate degree from Regina College and a B.A. and MBA from the University of Western Ontario. During his 40 years with TD Bank Group, he held several senior leadership positions and retired as Vice-Chairman, TD Bank Financial Group, in 1996. Mr. Joseph was named an Officer of the Order of Canada in 2002. He is a director of several public and private boards as well as charitable organizations.


MICHAEL FOULKES
Director
Director since April 2010

Committees: 1, 4

Mr. Foulkes holds a B.A. from the University of Toronto and held various positions on TD Bank Group’s senior executive team from 1998-2006. A graduate of the Rotman/ICD Director Education Program in 2008, his current directorships include Davis & Henderson Corporation, The Canadian Depository for Securities (part of TMX group) and eHealth Ontario. He was previously a director of First Nations Bank of Canada between 2002 and 2004. He resides in Toronto, Ontario.


DAVID MORTON
Director
Director since April 2008

Committees: 2, 3, 4

Mr. Morton holds Bachelor of Arts and Master of Business Administration degrees from the University of Manitoba. He is also a Certified Management Accountant. During his 32-year career with TD Bank, Mr. Morton held a variety of senior management positions across Canada including Senior Vice President, Atlantic Region; Senior Vice President, Sales & Service, Business Banking; and Senior Vice President, Specialized Financing Group, Business Banking. He resides in Oakville, Ontario.


KEN J. TONER
Director
Director since October 2007

Committees: 1, 2

Ken Toner is President and Chief Executive Officer of Atuqtuarvik Corporation. Prior to joining Atuqtuarvik Corporation in 2000, Mr. Toner was the Baffin Regional Director for the Department of Sustainable Development with the Government of Nunavut. Over the course of his 26 years in banking, finance and economic development, Mr. Toner held several senior roles, including Vice-President and Director of Marketing and Corporate Development with TDI Corporation.


MARK W. WEDGE
Director
Director since April 2001

Committees: 1, 3

Mr. Wedge or Aan Goosh oo was born, raised and currently resides in the Yukon. Following his mother’s lineage (as is customary with the Tagish/Tlinget), he belongs to the Deicitaan Clan of the Crow moiety. Actively involved in the development of his local communities, Mr. Wedge has served as Chief of the Carcross/Tagish First Nation, Executive Director of the Council of Yukon Indians, and President of Yukon Indian Development Corporation and dāna Näye Ventures, an aboriginal capital corporation.

WHO WE ARE

A majority of our front line and administrative employees are Aboriginal and many live in the communities they serve. We believe that only by knowing you can we best serve you.

OUR VISION

The Aboriginal Bank.

OUR MISSION

First Nations Bank of Canada is a competitive, capable, service oriented provider of financial services. Our focus is the Aboriginal market in Canada. We are a leader in the provision of financial services to Aboriginal People and an advocate for the growth of the Aboriginal economy and the economic well-being of Aboriginal People. We increase shareholder value by participating in and promoting the development of the Aboriginal Economy.

OUR PROFILE

First Nations Bank of Canada is a chartered bank primarily focused on providing financial services to the Aboriginal marketplace in Canada. The Bank offers Aboriginal and non-Aboriginal people, corporations and governments, a full range of personal and business banking services including loans, mortgages, investments (registered and non-registered), transaction accounts and cash management.

First Nations Bank was founded in 1996 through a strategic alliance of Saskatchewan Indian Equity Foundation Inc., Federation of Saskatchewan Indian Nations Inc.

and The Toronto-Dominion Bank. The Bank was conceived and developed by Aboriginal People, for Aboriginal People and regards itself as an important step toward Aboriginal economic self-sufficiency.

The strategic directive of the founding shareholders was to grow the Bank and increase Aboriginal ownership to the point that the Bank would be controlled by a widely held group of Aboriginal shareholders. Today, that objective is a reality as the Bank is controlled by Aboriginal shareholders from Saskatchewan, Manitoba, Yukon, Northwest Territories, Nunavut and Quebec.

With the support of its Aboriginal shareholders, the Bank has demonstrated consistent growth and profitability. Bank services are available through a network of seven full service branches (three on reserve), two community banking centres and electronic banking channels.

First Nations Bank of Canada is an approved member of Canada Deposit Insurance Corporation, the Canadian Payments Association and is an approved mortgage lender with Canada Mortgage and Housing Corporation.

THE ABOR1GINAL BANK



WHERE *to* FIND US

Branches

SASKATOON

224 - 4th Avenue South
Saskatoon, SK S7K 5M5
Tel (306) 955-3622
Fax (306) 955-6811
Toll Free 1-888-454-3622

CHISASIBI

Chisasibi, PQ J0M 1E0
Tel (819) 855-3458
Fax (819) 855-3496
Toll Free 1-888-825-3458

WINNIPEG

360 Broadway
Winnipeg, MB R3C 0T6
Tel (204) 988-1380
Fax (204) 988-1388
Toll Free 1-866-519-5898

WHITEHORSE

Unit 103, 9016 Quartz Road
Whitehorse, YT Y1A 2Z5
Tel (867) 456-3622
Fax (867) 456-3627
Toll Free (888) 456-3622

WALPOLE ISLAND

Unit #1 Thunderbird Plaza
Walpole Island, ON N8A 4K9
Tel (519) 627-1657
Fax (519) 627-1432
Toll Free 1-800-647-7347

MEADOW LAKE

8004 Flying Dust Reserve
Meadow Lake, SK S9X 1T8
Tel (306) 234-1250
Fax (306) 234-1259
Toll Free (877) 434-3622

IQALUIT

630 Queen Elizabeth II Way
Iqaluit, NU X0A 0H0
Tel (867) 975-3700
Fax (867) 975-3719
Toll Free (877) 975-3770

COMMUNITY BANKING CENTRES

Buffalo River Dene Nation, SK
Cree Nation of Nemaska, PQ

FIRST NATIONS BANK

The Aboriginal Bank

OF CANADA

www.fnbc.ca