

FIRST NATIONS BANK OF CANADA

Interview with Mr. Keith Martell

Chair of the Board of Directors

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Kelly J. Lendsay

INTRODUCTION

On December 9, 1996, the Federation of Saskatchewan Indian Nations (FSIN) and TD Bank officially launched the First Nations Bank of Canada. The First Nations Bank of Canada is a schedule II chartered bank that serves Aboriginal and non-Aboriginal customers throughout Canada. It is the first such bank of its kind in North America, conceived, packaged and developed by Aboriginal People for Aboriginal People.

Former Chief Blaine Favel, FSIN stated at the grand opening “the bank is one of many important steps towards Aboriginal people’s economic self sufficiency and political self determination ... the Indian economy alone in Canada represents billions of dollars and we are aggressively seeking customers for the First Nations Bank.”

Mr. Keith Martell is the Chair of the Board of Directors of the First Nations Bank of Canada. A member of the Waterhen Lake First Nation, Keith completed his Commerce degree at the University of Saskatchewan, obtained his CA designation and worked with the chartered accounting firm KPMG for 10 years before joining FSIN in 1995.

Kelly J. Lendsay, M.B.A. is the Director of Aboriginal Business Programs — Scotiabank Directorship at the College of Commerce, University of Saskatchewan. He is a Director and Co-Chair of the Education Committee for CANDO.

How Was the Concept of a First Nations Bank Conceived?

The Saskatchewan Indian Equity Foundation (SIEF), established by the FSIN in 1982, was the first Aboriginal capital corporation in Canada. During the first 10 years of operations, SIEF issued loans of over \$30 million and had achieved a loan loss ratio of less than 1% by 1995. Beginning in 1993, SIEF saw a need to grow to meet the growing needs of its customers, the First Nation businesses in Saskatchewan. There was a demand to meet the growing business and personal financial services requirements.

SIEF tendered the opportunity to a number of major financial institutions to seek cooperation for the development of a new full service chartered bank. Two proposals from institutions were accepted and after due diligence was completed, the Toronto Dominion Bank was selected as a strategic partner for this initiative.

How Is the Ownership of the Bank Structured?

The First Nations Bank of Canada (FNBC) became a reality because of the strategic alliance between the First Nations and an existing chartered bank. The structure of the bank reflects the strengths of each of the partners and the ultimate intentions for FNBC to be owned, managed and staffed by the First Nations.

FNBC was chartered under the Bank Act proving to the regulators that the Bank would have sufficient capital, management expertise and systems to service our customers and properly manage their deposits.

There are three classes of shares. The FSIN and SIEF have invested equity of \$2 million in 100% of the common and Class A non-voting preferred shares. The TD Bank has invested \$8 million in Class B Voting Preferred.

Ownership of common shares is restricted to persons of Aboriginal ancestry, including organizations, corporations or other entities that the board determines are substantially controlled by Aboriginal people. Class A shares shadow the common shares and they are fully convertible to common shares after control is assumed from the TD Bank. Class B ownership is restricted to TD Bank. The shares of TD can be purchased at any time. TD Bank must be below a 10% voting interest and share value investment before the end of 10 years.

How Is the Board Structured?

It was important to ensure that the management of FNBC have sufficient experience in operating a chartered bank and that this experience will grow and mature to the point where First Nations can assume full responsibility for the bank operations. The capacity building and good governance will be achieved by having First Nations shareholders and TD Bank each appoint directors to the board. The bylaws allow for a minimum of 8 and a maximum of 11 directors. TD Bank appoints 4 directors and the First Nations common shareholders appoint 4 directors. By formal agreement, the First Nations common shareholders and the TD Bank work cooperatively to select and appoint two additional directors and the President of the First Nations Bank is jointly elected to the board. This structure will allow a majority of the directors to develop with FNBC and remain as directors after the TD Bank is bought out. In the initial years, the experience and skills of the TD Bank appointed directors will ensure good corporate governance for FNBC.

Who Are the Directors?

FNBC was created to be a national Aboriginal bank, and as such, we sought directors that could bring a broad base of experience and contacts. Although 100% of the initial First Nation investors were from Saskatchewan, we saw it as important to reach out to the experience and management expertise of other regions. The initial directors include:

- Keith Martell, CA, Chairman of the FNBC
- Grand Chief Matthew Coon Come, Grand Council of Crees of Quebec
- Chief Roy Whitney, Tsuu T'ina First Nation
- Marv Tiller, Tribal Council Investments Group of Manitoba
- Urban Joseph, Executive TD
- John Leckie, TD Senior Vice President Business Banking Services
- Jeff Somerville, TD Senior Vice President
- Heather Conway, TD Vice President Corporate and Public Affairs

We have two vacant positions and they will be filled once we determine our future needs and the additional representation required.

Where Is Head Office and Do You Plan to Expand?

The first branch and head office is at 224, 4th Avenue South in the First Nations Bank Building in downtown Saskatoon. The tower complex was purchased by the Yellowquill First Nation as part of their economic development program to house the head office of the First Nations Bank of Canada. We plan to seek regulatory approval and to actively sell shares to other Aboriginal groups in Canada. The objective is to be a national institution with operations in all regions of the country by year 8 of operations.

A second branch is scheduled to be open in June 1998 in the community of Chisasibi, Quebec. This community is one of the nine communities of the James Bay Cree.

What Type of Services Will You Be Offering?

We will offer a full range of personal and corporate deposit, credit and transaction services. The extensive use of technology including computer banking, agency banks, cash cards and ATM services will reduce the need for a large number of branches but allow us to expand our market borders.

Are There Any Unique Product or Service Offerings?

We have designed special products for the Native community. The first service is the Elder's account. This is an account that is available to Aboriginal clients over 60 years of age and provides preferred interest rates. The First

Nations Home Financing program offers both on and off-reserve home financing with mortgage terms ranging from 6 months to 10 years. The First Nations Business Managers Account is for business operating accounts. In addition, there are a number of investment services offered through TD Securities.

The Banking Industry Is Very Competitive. What Strategies Do You Have for the First Nations Bank? How Will the Impending Canadian Bank Mergers Effect the First Nations Bank?

The FNBC marketing plan focuses on commitment—a commitment to First Nations people and specifically to you, as individual customers. We are committed to providing a total banking relationship by fulfilling your complete banking needs and working diligently to maintain the highest level of customer service. We want to make sure our customers understand all the benefits of the bank and to ensure they are receiving the best service First Nations Bank of Canada has to offer.

The proposed mergers will require regulatory approval before the final implications can be determined. As proposed, the mergers would be good for the First Nations Bank of Canada. The merged bank consisting of the TD Bank and the CIBC would assume the strategic alliance with the First Nations Bank. There would be enhanced market coverage by the new bank and a larger more capable partner with more capabilities and resources for First Nations Bank to draw upon in order to service our customers.