

From the President's Desk

3rd 2006
Quarter Report

Greetings!

Native American Bank, NA (NAB) continues to break business and social barriers for Indian Country. The bank's profitability continued to break barriers during the 3rd quarter of this year.

For the first nine months of 2006, NAB has earned over \$414,000 in net income! This earnings performance stands in stark contrast to the \$292,000 loss that was incurred the first nine months of 2005. This represents a \$706,000 earnings swing over the past year.

The end of the 3rd Quarter also marks 12 straight months of growing profitability for NAB, a trend that began in October of 2005. What is most exciting about this trend is that it underscores and validates the viability of the fundamental mission of Native American Bank: "Native People Investing in Native Communities". Our shareholders have every reason to be optimistic about the bank's future.

This October marks the 5th Anniversary of operations for NAB. Since our inception, we have grown from \$15 million to over \$84 million in total assets. This is an admirable growth rate for any bank and it is an unprecedented growth rate for a bank whose mission is to create economic sovereignty for Indian Country.

Along with our success and growth has come a need to continually rethink how we can best serve Indian communities. This past quarter, the SBA recognized this important aspect of NAB, as it designated us with HUBZone status – the first time this status has ever been bestowed upon a financial institution.

We believe this certification will open up a gamut of federal contracting opportunities relating to financing Indian communities. It will not only facilitate growth in the bank's fee income, and thus boost profits, but it will also lead to the creation of additional employment opportunities on reservations. As a bank owned and run by Native Americans, we strongly believe that we are best poised to capitalize on federal contracting opportunities related to financial services

In addition, I am proud to announce that NAB is teaming up with AMERIND Risk Management Corporation to offer same day credit on insurance claims for tribal housing authorities. We believe that the relationship between AMERIND and NAB will foster additional financial services and financial solutions for tribal housing authorities.

As always, our team at NAB wants to wish you the best for the remainder of 2006. Since this next quarter also marks the end of the fiscal year for NAB, please look for your copy of the 2006 Annual Report in early 2007

Regards,



JD Colbert,
President & CEO



News

3rd 2006 Quarter Report

NAB Staff Member Awarded Prestigious Scholarship

NAB Business Development Officer Jon Panamaroff was notified in August that he was awarded one of five scholarships from the National Center for American Indian Enterprise Development (NCAIED) under the Indian Progress in Business (INPRO) scholarship program.

“I am honored to be selected for this prestigious award. The scholarship will play a vital role in helping me to finish my second and third master’s degrees. It is a great show of support from such a respected institution like NCAIED,” said Jon. “I want to especially thank Ken Robbins and Ron Solimon at NCAIED. They have both shown such great support of young Indians and Alaska Natives.”

Jon is an enrolled member of the Sun aq’ Tribe and a descendent of Koniag, an Alaska Native Corporation. He grew up in Kenai, Alaska, and attended Eastern Washington University (EWU). While playing Division 1-AA football for the EWU Eagles, Jon excelled academically and completed two bachelor degrees as well as a master’s degree.

Jon joined NAB as a Business Development Officer in March of 2006. Since then he has been working closely with many of the Alaska Native corporations, as well as a variety of Navajo-owned enterprises.



Entrepreneurialism Abounds on Turtle Mountain Reservation

Over the past year, NAB has been working diligently to help open new businesses on the Turtle Mountain Indian Reservation in northcentral North Dakota. This past August, NAB began to see the fruit of its labor when local businessman Richard McCloud opened up a brand new Taco John’s on the reservation.

Working with NAB, Richard secured a loan sizable enough to embark on his new mission of bringing more small businesses to the reservation. The Bureau of Indian Affairs (BIA) also provided a support, participating with a BIA Guaranty for the loan.

“Getting the deal arranged with Richard was a pleasure. He is a top notch businessman, which made our work enjoyable. Of course, we are very much looking forward to partnering with Richard in the future as he expands to other areas – both on and off the reservation,” said Mark Patterson, a Business Development Officer with NAB.

Aside from owning two businesses on the reservation, Richard is also the postmaster for the local United States Postal Service and is the current Chairman of the Belcourt Public School Board.

Financials

3rd 2006 Quarter Report

	<u>09/30/2006</u>	<u>09/30/2005</u>
Net Income	\$ 414,000	\$ (293,000)

The end of the 3rd quarter of 2006 marks an improvement of more than \$706,000 since the end of the 3rd quarter in 2005. As noted earlier in this report, this is largely a reflection of increased lending efforts, as well as holding non-interest expenses (salaries, office supplies, etc) relatively static.

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	<u>09/30/2006</u>	<u>09/30/2005</u>
Total Assets	\$ 84,812	\$ 59,533

NAB's total assets have grown by over 42.4% since the end of the 3rd Quarter of 2005. The growth of more than \$25 million is a direct reflection of our mission to provide financial services to Indian communities across the country.

	<u>09/30/2006</u>	<u>09/30/2005</u>
Net Loans	\$ 64,651	\$ 47,449

The increase in Net Loans of \$17.2 million represents our efforts of increasing access to capital through loan products in Indian Country. Over 85% of our loan portfolio is to Native Americans and Indian communities in over 24 different states.

	<u>09/30/2006</u>	<u>09/30/2005</u>
Capital	\$ 10,129	\$ 8,652

We experienced strong growth in capital from both new investors, as well as profitable operations. As a percentage of total assets, capital was 11.24%.

More Information

We invite you to access our complete financial information via the web at:

<http://www.fdic.gov>



Our Bank and Bank Holding Company Certificate Number is 27026.

Creating Economic Sovereignty