

Regulatory Announcement

[Go to market news section](#)



Company North American Banks Fund Ltd
TIDM NAM
Headline Annual Report and Accounts
Released 16:51 08-May-07
Number 2507W

RNS Number:2507W
 North American Banks Fund Ltd
 08 May 2007

North American Banks Fund Limited

Preliminary Results for the year ended 31 December 2006

Chairman's Statement

I am pleased to report to shareholders on the Company's progress during the financial year ended 31 December 2006. Seven new investments and one follow-on investment were completed in unquoted start-up banks in the US.

At the year-end, the Net Asset Value ("NAV") per share was \$9.19 compared with \$9.65 at the end of 2005, with the decrease principally attributable to the \$0.40 write-down of Midwest Financial Holdings, Inc.

During 2006, the Company completed the following new investments:

- \$4,000,000 in NHB Holdings, Inc., the holding company for Proficio Bank, a nationally focused commercial bank, targeting the underserved commercial and mortgage banking needs of relocation companies throughout the United States.
- \$4,000,003 in Atlanta Bancorporation, Inc. Trading under the name Bank of Atlanta, the bank headquartered in Atlanta offers a broad range of lending and other traditional banking services to individuals and businesses within the Atlanta metropolitan area.
- \$3,420,000 in Florida Capital Group, Inc., a nationally chartered state-wide bank committed to serving the business community of Florida.
- \$352,500 in First American Financial Holdings, Inc., a community bank headquartered in Nashville, Tennessee, focusing on real estate, middle market lending and the entertainment industry.
- \$1,500,000 in TrustAtlantic Financial Corporation, a seed investment in what will be a regional bank taking advantage of the current growth in the banking market of Raleigh-Durham, North Carolina.
- \$500,000 in FirstAtlantic Financial Holdings, Inc., a seed investment in what will be a community bank called Bank of Florida, headquartered in Jacksonville, Florida. This mid-market bank will specialise in single family construction lending and Small Business Administration (SBA) lending.
- \$150,000 in Texas Lone Star Financial, Inc., a pre-seed commitment currently in the process of securing an experienced management team and looking to purchase a bank at an acceptable premium. The team will be concentrating on the Houston and Dallas markets.

The Company had the opportunity to make a follow-on investment as per the Company's business plan:

- \$2,300,000 in Mountain Commerce Bancorp, Inc., a community bank serving

the needs of individuals, professionals and small to mid-sized businesses in the Mountain South region of Tennessee.

Post year-end a second follow-on investment was completed: First American Financial Holdings, Inc. (February 2007). Two further follow-on investments are in the pipeline for the first half of 2007.

During 2006, no uplifts were recorded in valuation. An uplift of \$117,500 was recorded post year-end in First American Financial Holdings, Inc., and we are confident that imminent financing rounds will result in uplifts in at least two of our current investments. However, as previously reported, our investment in Midwest Financial Holdings, Inc. did not prove successful. Regulatory approval took longer than expected and due to lack of working capital, Midwest Financial has been dissolved. This investment was written down to zero on 31 October 2006.

Your Company holds a well-diversified portfolio and its nine banks mark an impressive footprint throughout our target market.

Of the funds raised in 2005 and called upon in June 2006, 59% was invested at the year-end, with a further 10% invested post year end. At 31 December 2006, a total of \$14.5 million was held in high interest cash deposits. Of this sum, \$3.5 million has been invested post year-end in First American Financial Holdings, Inc., and a further \$6.0 million is earmarked for follow-on investments in TrustAtlantic Financial Corporation and FirstAtlantic Financial Holdings, Inc. Deal flow continues to be very strong, with capacity for only one further investment.

The Board and I are encouraged by the progress the Company has made, and we continue to work closely with the investment team to take full advantage of the attractive opportunities that exist for small banks in our target areas.

Robin Monro-Davies

Chairman
7 May 2007

Investment Manager's Report

Investment portfolio	Cost 31 Dec 2006 (\$)	Valuation 31 Dec 2006 (\$)	Cost 31 Dec 2005(1) (\$)	Valuation 31 Dec 2005(1)
Atlanta Bancorporation, Inc.	4,000,003	4,000,003	-	
First American Financial Holdings, Inc.	352,500	352,500	-	
FirstAtlantic Financial Holdings, Inc.	500,000	500,000	-	
Florida Capital Group, Inc.	3,420,000	3,420,000	-	
MagnetBank	3,948,000	3,948,000	3,948,000	3,948,
Midwest Financial Holdings, Inc.	1,510,500	-	1,510,500	1,510,
Mountain Commerce Bancorp, Inc.	2,300,000	2,300,000	100,000	100,
NHB Holdings,				

Inc	4,000,000	4,000,000	-	
Texas Lone Star Financial, Inc.	150,000	150,000	-	
TrustAtlantic Financial Corporation	1,500,000	1,500,000	-	
Cash	14,845,652	14,845,652	12,307,996	12,307,
	-----	-----	-----	-----
Total	36,526,655	35,016,155	17,866,496	17,866,
	=====	=====	=====	=====

(1) Cash pre the second call upon investors for payment of the outstanding instalment of \$5.00 per share, due and payable in relation to each of the company's partly paid ordinary shares. Payment was received on 22 June 2006.

Portfolio Overview

As at 31 December 2006 the portfolio was comprised of nine unquoted start-up banks in the US, with an aggregate value of \$20.2 million compared with a cost of \$21.7 million. At the year-end \$14.5 million was invested in high interest cash deposits. Of the available cash, \$3.5 million has been invested since year-end in a follow-on offering of First American Financial Holdings, Inc, and a further \$6 million has been pre-allocated to imminent follow-on transactions in TrustAtlantic Financial Corporation and FirstAtlantic Financial Holdings, Inc. Accordingly, \$5 million is available for new investments, with our focus remaining on securing a bank in Texas.

During 2006 seven new investments and one follow-on investment were made. There were no exits and one write off.

Portfolio (listed in order of original investment):

MagnetBank

MagnetBank has a Utah industrial charter and engages in traditional lending to small and medium sized businesses in Florida, North Carolina, Idaho and Georgia. The bank opened for business in September 2005. By 31 December 2006 it had total assets of \$458.7 million, four loan production offices in operation, and was profitable at the net income level in accordance with US GAAP (Generally Accepted Accounting Principles).

Valuation: \$3,948,000
Valuation Basis: Cost
Voting rights held: 7.9%

Mountain Commerce Bancorp, Inc.

Mountain Commerce is a community bank serving individuals, professionals and small to mid sized businesses in East Tennessee, Western North Carolina and Virginia (Knoxville, Asheville and Bristol). The bank opened for business in September 2006. It has three branches in operation with the fourth opening in April. Growth is exceeding expectations and budget. It has total assets of \$122.3 million and expects to be GAAP profitable by Q2 2008.

Valuation: \$2,300,000
Valuation Basis: Cost
Voting rights held: 6.3%

NHB Holdings, Inc.

Proficio Bank, a wholly owned subsidiary of NHB Holdings, Inc., is a nationally focused specialty bank, offering commercial lending, specialised consumer lending and specialised residential lending services to the corporate relocation industry throughout the United States. The bank opened for business in January 2007. It currently has two loan production offices in operation, total assets of \$42.3 million and aims to be GAAP profitable by Q1 2008.

Valuation: \$4,000,000
Valuation Basis: Cost
Voting rights held: 8.4%

Atlanta Bancorporation, Inc.

Bank of Atlanta, a wholly owned subsidiary of Atlanta Bancorporation, Inc., is an Atlanta-based bank, offering a broad range of lending, deposit and other traditional banking services to individuals and businesses within the Atlanta metropolitan area. The bank opened for business in April 2007. It currently has two loan production offices in operation, total assets of \$111.9 million and aims to be GAAP profitable by Q1 2008.

Valuation: \$4,000,003
Valuation Basis: Cost
Voting rights held: 6.2%

Florida Capital Group, Inc.

Florida Capital Group is a nationally chartered, state-wide bank committed to serving the business community of Florida. The bank opened for business in March 2005. The total office count now comes to thirteen, with two loan production offices also in operation. With total assets of \$530.0 million the group aims to be GAAP profitable by Q2 2007.

Valuation: \$3,420,000
Valuation Basis: Cost
Voting rights held: 2.71%

First American Financial Holdings, Inc.

First American Financial Holdings, Inc. is a community bank headquartered in Nashville, Tennessee, focusing on real estate, middle market lending and the entertainment industry. The bank completed its follow-on financing and opened for business in February 2007, when North American Banks Fund Limited increased its investment to \$4 million (4.74% of the voting rights). Total assets are \$93.0 million and the group aims to be GAAP profitable by Q2 2008.

Valuation: \$352,500
Valuation Basis: Cost
Voting rights held: Not applicable to seed investments

TrustAtlantic Financial Corporation

TrustAtlantic Financial Corporation is a holding company with a definitive agreement to acquire Millennia Community Bank with the proceeds of their second round financing, which is being led by Raymond James and is due to complete Q2 2007. The strategy is to build a premier North Carolina bank offering full service banking facilities to middle market companies in Raleigh-Durham, North Carolina.

North American Banks Fund Limited has committed a further \$2.5 million to this round of financing.

Valuation: \$1,500,000

Valuation Basis: Cost
 Voting rights held: Not applicable to seed investments

FirstAtlantic Financial Holdings, Inc.

FirstAtlantic Financial Holdings, Inc. (Bank of Florida) is a holding company with a definitive agreement to acquire Paramount Bank with the proceeds of their second round financing, which is being led by Raymond James and is due to complete Q2 2007. The strategy is to build a traditional community bank, headquartered in Jacksonville, Florida and operating along the Northeast Florida coastline. This mid-market bank will specialise in single family construction lending and SBA lending.

North American Banks Fund Limited has committed a further \$3.5 million to this round of financing.

Valuation: \$500,000
 Valuation Basis: Cost
 Voting rights held: Not applicable to seed investments

Texas Lone Star

Texas Lone Star is a pre-seed commitment in the process of securing an experienced management team whilst it looks to purchase a bank at an acceptable premium.

Valuation: \$150,000
 Valuation Basis: Cost
 Voting rights held: Not applicable to seed investments

With two follow-on transactions in the immediate pipeline, strong deal flow and imminent third party transactions likely to lead to uplifts in current valuations, we are happy with the Company's performance and optimistic for the coming year.

North Atlantic Value LLP
 Investment Manager
 7 May 2007

Income Statement

	Year to 31 December 2006	5 May 2005 to 31 December 2005*
	US\$	US\$
Income		
Interest income	641,491	251,929
Gain on disposal of investments	-	40,841
Total income	641,491	292,770
Impairment loss on investments	(1,510,500)	-
(Loss) / gain from investments	(869,009)	292,770

Expenses		
Administration fees	113,659	58,337
Audit fees	38,913	34,416
Bank charges	3,727	1,529
Insurance	20,046	12,964
Custody fees	10,870	6,200
Listing fees	11,116	12,253
FT Prices fees	3,467	-
Directors' fees	113,531	72,689
Disbursements	2,739	1,661
Investment manager fees	460,388	266,781
Printing costs	10,340	-
Regulatory fees	5,516	8,429
Registrar fees	49,902	28,133
Travel costs	24,272	14,607
Broker fees	27,923	15,227
Legal fees	8,511	6,155
	-----	-----
Total expenses	904,920	539,381
	-----	-----
	-----	-----
Net loss for the year / period	(1,773,929)	(246,611)
	-----	-----
	-----	-----
Basic and diluted earnings per share	US\$(0.467)	US\$(0.065)
	-----	-----

*Commencement of operations 10 June 2005.

All items in the above statement are derived from continuing operations.

Statement of Changes in Equity

	Year to 31 December 2006	5 May 2005 to 31 December 2005*
	US\$	US\$
Equity at 1 January 2006 / 5 May 2005	36,684,891	-
	-----	-----
Loss for the year / period	(1,773,929)	(246,611)
	-----	-----
Total recognised income and expenses	(1,773,929)	(246,611)
	-----	-----

Issue of ordinary

shares	-	38,000
Premium arising on issue of ordinary shares	-	37,962,000
Issue costs	-	(1,068,498)
	-----	-----
Equity at 31 December	34,910,962	36,684,891
	-----	-----

*Commencement of operations 10 June 2005.

Balance Sheet

	31 December 2006 US\$	31 December 2005 US\$
Non-current assets		
Investments at fair value through profit or loss	20,170,503	5,558,500
	-----	-----
Current assets		
Prepayments	10,129	11,083
Accrued interest receivable	20,097	31,252
Receivable for shares subscribed	-	19,000,000
Cash and cash equivalents	14,845,652	12,307,996
	-----	-----
	14,875,878	31,350,331
	-----	-----
Total assets	35,046,381	36,908,831
	-----	-----
Current liabilities		
Creditors	135,419	223,940
	-----	-----
	135,419	223,940
	-----	-----
Net assets	34,910,962	36,684,891
	-----	-----
Shareholders equity		
Share capital	38,000	38,000
Share premium	-	36,893,502
Distributable reserve	36,893,502	-
Accumulated deficit	(2,020,540)	(246,611)
	-----	-----
Total equity	34,910,962	36,684,891
	-----	-----
Net Asset Value per Share	US\$9.19	US\$9.65
	-----	-----

Cash Flow Statement

Year to 31

5 May 2005 to

	December 2006	31 December 2005*
	US\$	US\$
Operating Activities		
Net loss for the year / period	(1,773,929)	(246,611)
Impairment loss on investments	1,510,500	-
Decrease / (increase) in receivables	12,109	(42,335)
(Decrease) / increase in payables	(88,521)	223,940
	-----	-----
Cash flow from operating activities	(339,841)	(65,006)
Investing Activities		
Proceeds from sale of investments	-	17,552,000
Purchases of investments	(16,122,503)	(23,110,500)
	-----	-----
Cash flow from investing activities	(16,122,503)	(5,558,500)
Financing Activities		
Issue costs paid on issuance of ordinary shares	-	(1,068,498)
Shares issued	19,000,000	19,000,000
	-----	-----
Cash flow from financing activities	19,000,000	17,931,502
	-----	-----
Net increase in cash and cash equivalents	2,537,656	12,307,996
Cash and cash equivalents, at beginning of the year / period	12,307,996	-
	-----	-----
Cash and cash equivalents, at end of the year / period	14,845,652	12,307,996
	-----	-----

*Commencement of operations 10 June 2005.

Notes

North American Banks Fund Limited is a closed-ended investment company registered and incorporated in Guernsey. The Company has been established to invest predominantly in start-up banks based in the US.

The functional currency of the Company is US dollars because that is the currency of the primary economic environment in which the Company operates. These financial statements are presented in US Dollars.

The above results comprise an abridged version of the Company's full accounts for the year ended 31 December 2006. Copies of the accounts will be sent to shareholders shortly and will be available from the Company's Registered Office at Royal Bank Place, 1 Gategny Esplanade, St Peter Port, Guernsey GY1 2HS.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, together with applicable legal and regulatory requirements of Guernsey Law.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies are set out below. The preparation of financial statements in conformity with International Financial Reporting Standards requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

The basic and diluted earnings per share is based on the net loss for the year of US\$1,773,929 (2005 - US\$246,611) and a weighted average number of Ordinary Shares in issue during the year of 3,800,000 (2005 - 3,800,000).

The net asset value per ordinary share is based on net assets at the year end and on 3,800,000 ordinary shares, being the number of ordinary shares in issue at the year end.

The Directors do not propose the payment of a dividend for the year.

Enquiries:

Sara Radford
RBSI Fund Services (Guernsey) Limited Tel: 01481 743000

Alastair Moreton
Arbuthnot Securities Limited Tel: 0207 012 2000

This information is provided by RNS
The company news service from the London Stock Exchange

END

Close

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

©2007 London Stock Exchange plc. All rights reserved