

Regulatory Announcement

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North American Banks Fund Ltd
23 June 2008

North American Banks Fund Limited

Preliminary Results for the year ended 31 December 2007

Chairman's Statement

Against a backdrop of significant deterioration in the US economy the Company nevertheless made progress in the financial year ended 31 December 2007 making one new investment and three follow-on investments. This deterioration was particularly apparent on both the financial and real estate sectors and further deterioration is anticipated in the coming financial year. The Company's investments have largely avoided lending in the subprime sector and have not been involved in Collateralised Debt Obligations (CDO) investments as the majority did not commence trading until after the emergence of the subprime crisis. Most of our investments had not started trading prior to this crisis and as a result have been insulated from most of the fall out. However, the marked deterioration in the general US economy has slowed growth for our investee banks and this has impacted on both valuations and subsequent fundraising rounds.

At the year end, the Net Asset Value ("NAV") per share was \$9.20 compared with \$9.19 at the end of 2006, with the increase attributable to the write-ups of First American Financial Holdings, Inc., Florida Capital Group and First Atlantic financial Holdings, Inc. resulting from subsequent financing rounds at higher prices than our investment cost.

During 2007, the Company completed the following new investment:

- \$500,000 in Metropolitan Banc Group, Inc., the holding company for Metropolitan Bank, a seed investment in what will be a regional bank focusing on the banking markets of Jackson, Mississippi and Memphis, Tennessee.

The Company also made follow-on investments in line with the Company's business plan:

- \$3,530,000 First American Financial Holdings, Inc., the holding company for Avenue Bank, headquartered in Nashville, Tennessee, focusing on real estate and middle market lending in addition to providing banking services to the entertainment industry;
- \$2,500,000 in Trust Atlantic Financial Corporation, the holding company for Trust Atlantic Bank focusing on the banking market of Raleigh-Durham, North Carolina; and
- \$3,000,000 in First Atlantic Financial Holdings, Inc., the holding company for First Atlantic Bank of Florida, headquartered in Jacksonville, Florida. This mid-market bank will specialise initially in Small Business Administration (SBA) lending.

Post year-end, a fourth follow-on investment was completed in a second round fundraising in Metropolitan Banc Group, Inc. (February 2008).

During 2007, three uplifts were recorded in valuation. These were: \$117,500 in First American Financial, Inc., \$500,000 in First Atlantic Financial Holdings, Inc. and \$30,000 in Florida Capital Group. An uplift of \$500,000 was recorded post year-end in Metropolitan Banc Group, Inc. following the second round fundraising. We remain confident that imminent financing rounds will result in an uplift in one more of our current investments.

Unfortunately, our pre-seed investment of \$150,000 in Texas Loan Star did not prove successful. The regulatory approval process ultimately took longer than expected and due to a lack of working capital, the project has been dissolved. We have received loan stock of \$150,000 in another Texas based project, but given the current environment for fundraising of pre-seed investments, this project is extremely unlikely to proceed and the investment has been written down to zero.

Of the funds raised in 2005 and called upon in June 2006, 82% was invested at the year-end, with a further 8% invested post year-end. At 31 December 2007, a total of \$4.9 million was held in high interest cash deposits. Of this sum, \$3.0 million has been invested post year-end in Metropolitan Banc Group, Inc. As a result the Company is now fully invested in accordance with the business plan.

Post year end, however, three of the Company's investee banks have been affected by the sudden deterioration of the residential markets in both Atlanta and Florida. As a consequence, a large number of residential construction loans are now becoming either past due or non-accruing due to the inability of developers to dispose of their completed products in the market place. The situation in respect of the Company's investment in MagnetBank, which has a material exposure to the Atlanta market in particular, is such that a significant provision has been taken against this investment. MagnetBank is currently seeking to raise additional equity capital for its business; should it be unsuccessful in this endeavour it is likely that provisions to cover our full investment would be necessary.

Despite this, all of the Company's remaining investments benefit not only from a strong capital base but also from the guidance of experienced management teams and they are well placed to benefit from the opportunities being created by the fall out being generated by the current turmoil in the US banking market.

These are difficult times for our Company, but shareholders should be confident that the Board will continue to work closely with the investment team to monitor our investments and the community banking market as a whole, and make every effort to maximise shareholder value.

Robin Dominic Monro-Davies
Chairman
23 June 2008

Investment Manager's Report

	Cost 31 Dec 2007 US\$	Valuation 31 Dec 2007 US\$	Cost 31 Dec 2006 US\$	Valuation 31 Dec 2006 US\$
Investment portfolio				
Atlanta Bancorporation, Inc.	4,000,003	4,000,003	4,000,003	4,000,003
First American Financial Holdings, Inc.	3,882,500	4,000,000	352,500	352,500
FirstAtlantic Financial Holdings, Inc.	3,500,000	4,000,000	500,000	500,000
Florida Capital Group, Inc.	3,420,000	3,450,000	3,420,000	3,420,000
MagnetBank	3,948,000	3,948,000	3,948,000	3,948,000
Midwest Financial Holdings, Inc.	1,510,500	-	1,510,500	-
Mountain Commerce Bancorp, Inc.	2,300,000	2,300,000	2,300,000	2,300,000
NHB Holdings, Inc.	4,000,000	4,000,000	4,000,000	4,000,000
Other Assets	150,000	-	150,000	150,000
TrustAtlantic Financial Corporation	4,000,000	4,000,000	1,500,000	1,500,000
Metropolitan Banc Group, Inc	500,000	500,000	-	-
Cash	4,877,204	4,877,204	14,845,652	14,845,652
Total	<u>36,088,207</u>	<u>35,075,207</u>	<u>36,526,655</u>	<u>35,016,155</u>

Portfolio Overview

As at 31 December 2007 the portfolio was comprised of nine unquoted start-up banks in the US, with an aggregate value of \$30.2 million compared with a cost of \$31.2 million. At the year-end \$4.9 million was invested in high interest cash deposits. Of the available cash, \$3 million has been utilised since the year end in the follow-on transaction in Metropolitan Banc Group Inc. Following this transaction, the fund is now fully invested and, in accordance with the business plan, \$1.9 million of cash is available for the administration of the fund.

During 2007 one new investment and three follow-on investments were made. There were no exits and one write-off in the year.

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, Georgia and Texas. The bank opened for business in September 2005. By 31 December 2007 it had total assets of \$455 million and four loan production offices in operation in Salt Lake City, Atlanta, Raleigh and Houston. In August 2007, the bank successfully converted its charter from a Utah Industrial Bank to a Utah Commercial Bank. The bank undertakes traditional lending, SBA lending and Equipment Finance. Whilst the bank was profitable for the first three quarters of 2007, large write-offs in the fourth quarter resulted in a loss for financial year 2007 of \$2.92m. Since year end conditions in Magnet's market have deteriorated significantly with past due loans rising to approximately 30% of the loan portfolio. This has resulted in MagnetBank being required to raise over \$20 million in order to keep within its regulatory guidelines. Just over \$1 million is currently being raised at \$3 a share and as such has required a provision of \$2.764 million to be made. In the event the bank is not successful in raising the remaining funds a further provision to cover our full investment of \$3.95 million is likely to be necessary.

Valuation: \$3,948,000

Valuation basis: Cost

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, Ashville and Bristol). The bank opened for business in September 2006. It has five branches and a loan production office in operation with a further five opening in next 12-18 months. Growth is exceeding budget as total assets have grown to \$268 million and profitability is forecast by Q1 2009. The delay in break-even is as a result of the costs of faster growth and branch expansion. The bank is in the process of commencing another fundraising which is likely to deliver an uplift in value of both our common stock and our warrants once the offering has closed in Q2/Q3.

Valuation: \$2,300,000

Valuation basis: Cost

NHB Holdings, Inc.

Proficio Bank, a wholly owned subsidiary of NHB Holdings, 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 and now has three loan production offices in operation. It has assets of \$83 million and expects to be profitable by Q2/Q3 2008.

Valuation: \$4,000,000

Valuation basis: Cost

Atlanta Bancorporation, Inc.

Bank of Atlanta, a wholly owned subsidiary of Atlanta Bancorporation, 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 three loan production offices in operation, total assets of \$203 million and aims to be profitable by Q2 2008. The loan portfolio had grown to \$148m by year end. Deposits have grown to \$144m and there has been strong core deposit growth.

Valuation: \$4,000,003

Valuation basis: Cost

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 seventeen. The bank had total assets of \$781 million at year end. The bank has utilised its branch structure to capture \$509m of retail deposits.

Write-offs in Q4 produced a loss for the year of \$3.5 million and the challenging outlook in the Florida market is likely to continue in 2008.

Valuation: \$3,450,000

Valuation basis: Valued at last fundraising price

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 the Company increased its investment to \$4 million at \$10 per share giving an uplift from the previous round at \$7.50 per share Total assets have grown to \$168m million and Loans have increased to \$95.8m. Deposits have increased to \$99.1m, all of which are retail. The strong growth in retail has been driven by a successful money market account advertising campaign. The bank now has four branches open for business and plans to open a further two during 2008. Nashville has a large music industry which generates significant business opportunities, and the bank benefits from having the Chairman of Sony BMG Nashville, the General Manager of Universal Music Nashville, and the former President and Chairman of the Country Music Association on the board of directors.

The group aims to be profitable by Q3 2009.

Valuation: \$4,000,000

Valuation basis: Valued at last fundraising price

TrustAtlantic Financial Corporation

TrustAtlantic Financial Corporation is a holding company which successfully acquired Millennia Community Bank with the proceeds of their second round financing, and has set about executing their business plan to build a premier North Carolina bank offering full service banking facilities to middle market companies in Raleigh-Durham, North Carolina. The Company invested a further \$2.5 million in this round of financing. Total Assets were circa \$130 million at year end and loans had reached \$103 million. At this early stage in the bank's development, deposit funding is still primarily wholesale in nature, but momentum is building for non-wholesale deposit accounts as the branch roll-out commences. The first stand alone branch is anticipated to open in March in Raleigh.

Valuation: \$4,000,000

Valuation basis: Cost

FirstAtlantic Financial Holdings, Inc.

FirstAtlantic Financial Holdings, Inc. (FirstAtlantic Bank of Florida) is a holding company which successfully acquired Paramount Bank with the proceeds of their second round financing and has set about executing its strategy to build a traditional community bank, headquartered in Jacksonville, Florida and operating along the Northeast Florida coastline. The Company originally invested \$0.5 million in the seed round at \$5 per share and then invested a further \$3 million in the main fundraising at \$10 per share creating an uplift of \$0.5 million on our original investment. This mid-market bank will specialise in single family construction lending and SBA lending. The first branch is set to open in late February, with the second and third branches following in March. Having only just opened for business, loans stand at \$7 million and deposits have reached \$8 million, all of which are retail. It is anticipated that growth will be slower than originally planned as a result of the current malaise in the Florida market.

Valuation: \$4,000,000

Valuation basis: Valued at last fundraising price

Metropolitan Banc Group, Inc.

Metropolitan Banc Group, Inc. (Metropolitan Banc) is a holding company with a definitive agreement to acquire Banc of the South with the proceeds of their second round financing, which is being led by Raymond James and is due to complete in Q2 2008. The strategy is to build a bank offering full service banking facilities, to address the fragmented and underserved markets of Memphis, Tennessee and Jackson, Mississippi.

The Company has committed to invest a further \$3 million in the current funding round at an investment price of double the price of the first round creating an uplift of \$0.5 million on our initial investment.

Valuation: \$500,000
Valuation basis: Cost

North Atlantic Value LLP
Investment Manager
23 June 2008

Income Statement

	2007	2006
	US\$	US\$
Income		
Interest income	451,700	641,491
Net gain / (loss) on investments at fair value through profit or loss	497,500	(1,510,500)
Total investment income	949,200	(869,009)
Expenses		
Administration fees	121,214	113,659
Audit fees	20,451	38,913
Bank charges	3,691	3,727
Insurance	19,203	20,046
Custody fees	10,637	10,870
Listing fees	13,579	11,116
FT Prices fees	4,269	3,467
Directors' fees	157,899	113,531
Disbursements	2,096	2,739
Investment manager fees	438,615	460,388
Printing costs	8,620	10,340
Regulatory fees	6,167	5,516
Registrar fees	19,820	49,902
Travel costs	25,351	24,272
Broker fees	30,547	27,923
Legal fees	3,611	8,511
Total expenses	885,770	904,920

Profit / (loss) for the year attributable to equity shareholders	63,430	(1,773,929)
Basic and diluted earnings per share	US\$0.017	US\$(0.467)

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

Statement of Changes in Equity

	2007	2006
	US\$	US\$
Equity at 1 January	34,910,962	36,684,891
Profit / (loss) for the year attributable to equity shareholders	63,430	(1,773,929)
Total recognised income and expenses	63,430	(1,773,929)
Equity at 31 December	34,974,392	34,910,962

Balance Sheet

	2007	2006
	US\$	US\$
Non-current assets		
Investments at fair value through profit or loss	30,198,003	20,170,503
Current assets		
Prepayments	11,692	10,129
Accrued interest receivable	18,892	20,097
Cash and cash equivalents	4,877,204	14,845,652
	4,907,788	14,875,878
Total assets	35,105,791	35,046,381
Current liabilities		
Creditors	131,399	135,419
	131,399	135,419
Net assets	34,974,392	34,910,962
Shareholders equity		
Share capital	38,000	38,000
Share premium	-	-

Distributable reserve	36,893,502	36,893,502
Accumulated deficit	(1,957,110)	(2,020,540)
Total equity	34,974,392	34,910,962
Net Asset Value per Share	US\$9.20	US\$9.19

Cash Flow Statement

	2007	2006
	US\$	US\$
Operating Activities		
Profit / (loss) for the year attributable to equity shareholders	63,430	(1,773,929)
Unrealised (gains) / losses on investments	(497,500)	1,510,500
(Increase) / decrease in receivables	(358)	12,109
Decrease in payables	(4,020)	(88,521)
Cash flow from operating activities	(438,448)	(339,841)
Investing Activities		
Purchases of investments	(9,530,000)	(16,122,503)
Cash flow from investing activities	(9,530,000)	(16,122,503)
Financing Activities		
Shares issued	-	19,000,000

Cash flow from financing activities	-	19,000,000
Net (decrease) / increase in cash and cash equivalents	(9,968,448)	2,537,656
Cash and cash equivalents, at beginning of the year	14,845,652	12,307,996
Cash and cash equivalents, at end of the year	4,877,204	14,845,652

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 2007. Copies of the accounts will be sent to shareholders by 30 June 2008 and will be available on the Company's website www.northamericanbanksfund.co.uk and from the Company's

registered office at BNP Paribas House, 1 St Julian's Avenue, St Peter Port, Guernsey GY1 1WA.

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 income for the year of US\$63,430 (2006 - net loss US\$1,773,929) and a weighted average number of Ordinary Shares in issue during the year of 3,800,000 (2006 - 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.

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