

North American Banks Fund Limited
Annual Report and Financial Statements
for the year ended 31 December 2009

North American Banks Fund Limited
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Directors and Administration

Directors

Robin Monro-Davies
James Baxter
Sidney Cabessa
Rupert Evans
George Hacker

Administrator, Company Secretary, Custodian and Registered Office

BNP Paribas Fund Services (Guernsey) Limited
BNP Paribas House
St Julians Avenue
St Peter Port
Guernsey GY1 1WA

Investment Manager

North Atlantic Value LLP
Ground Floor
Ryder Court
14 Ryder Street
London SW1Y 6QB
*(authorised and regulated by the UK's
Financial Services Authority)*

Nominated Adviser and Broker

Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR

Auditors

Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey GY1 3TF

Advocates to the Company

Ozannes
PO Box 186
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

Registrar

Capita Registrars (Guernsey) Limited
PO Box 627
St Sampson
Guernsey GY1 4PP

Chairman's Statement

The year under review saw five of the Companies' eight investee banks achieving profitability. This is encouraging when set against the unprecedented events of the past two years in financial markets and in particular in the US housing market, which historically has been the lifeblood of community bank lending.

Essentially the profits we are seeing from these five banks results from their adopting prudent lending practices during extremely uncertain times. Of these five banks, three have not made residential construction loans of any real significance. The two banks that have made residential loans have only done so on a moderate scale in comparatively resilient local housing markets.

The three banks that are currently loss-making are unfortunate in that their lending markets, Jacksonville in Florida and Atlanta in Georgia, were amongst the hardest hit by the fall in both house prices and demand. At the end of the year under review, it has been necessary for the Company to make provisions against the value of these three investments in NHB Holdings Inc, Bank of Atlanta and Florida Capital Group totalling US\$3,750,000. These provisions are a direct consequence of the write offs necessary in the banks residential construction loan portfolios.

Subsequent to the year end, the Company announced on 16 June 2010, that it would make a further provision of US\$1.2 million against the value of its investment in TrustAtlantic Financial, this was following a recent capital raising by TrustAtlantic Financial at a price per share, which was 30 per cent. below the Fund's last valuation of this investment.

At the end of the year under review, the Net Asset Value ("NAV") of the Company was US\$5.49 per share compared with US\$6.67 per share at the end of 2008. This diminution in NAV is a reflection of the ongoing cost of the running of the Company and also the need to fairly reflect the deterioration in some of the Companies' investments as per the above. The running cost is an inescapable fixed cost, but one that we do everything in our power to mitigate against.

We are hopeful that with the U.S economy now stabilising our banks will be able to start to show modest loan growth and will also be able to take the opportunity to purchase troubled banks and branches at attractive prices. Whilst the outlook is not rosy it is incomparably better than it was 12 months ago and it is our expectation that a number of our banks, if not all, will be able to consolidate on the gains that they are making to deliver sustainable growth for the future.

Robin Monro-Davies
Chairman
16 June 2010

Investment Manager's Report

Investing policy

The investing policy of the Company is to invest in such a way as to achieve a superior capital appreciation over the long term to that available in markets as a whole. The Company intends to achieve this through investment in unquoted start-up banks, which intend to offer banking services to small and medium sized enterprises. The banks will be based in certain regions of the United States, for example Georgia, Florida, Texas, California and the South Carolina coast, where favourable economic, demographic and market factors are expected to contribute to the growth of the banks. The Investment Manager may also use its discretion to hold cash or cash equivalent investments from time to time.

Up to 100 per cent. of the Net Asset Value of the Company may be invested in securities which are not quoted on a recognised stock exchange. These investments are expected to include the provision of start-up capital and secondary financing.

The Company may, from time to time, use borrowings for short-term liquidity purposes and, if the Directors deem prudent, for longer term purposes. The Directors intend to restrict borrowing on a longer term basis to an amount equal to 20 per cent. of the issued share capital of the Company from time to time.

There will be one investment cycle and the Directors intend to return realised capital from investments to Shareholders, with returns denominated in US\$, shortly after the Company has exited its investments. The Company is likely to return this capital through share buy-backs, special dividends or liquidation.

Interim Management Report

North Atlantic Value LLP acts as the Investment Manager to the Company and has overall responsibility for the Company's day to day activities and investment decisions.

Portfolio Overview

Investment portfolio	Cost US\$	Valuation 31 Dec 2009 US\$
Bank of Atlanta	4,000,003	1,000,000
DirecTex	150,000	-
First American Financial Holdings, Inc. – Avenue Bank	3,882,500	4,000,000
FirstAtlantic Bank of Florida	3,500,000	4,000,000
Florida Capital Group	3,420,000	300,000
MagnetBank	3,948,000	-
Metropolitan Bank	3,500,000	4,000,000
Midwest Financial Holdings	1,510,500	-
Mountain Commerce Bank (1)	2,300,000	2,300,000
NHB Holdings Inc.	4,000,000	1,000,000
TrustAtlantic Financial Corporation (2)	4,000,000	4,000,000
Investments	34,211,003	20,600,000
Cash	736,733	736,733
Total	34,947,736	21,336,733

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Investment Manager's Report *(continued)*

- (1) The Company holds 68,833 US\$10 warrants in this investment which is valued at nil.
- (2) The Company holds 150,000 US\$10 warrants in this investment which is valued at nil.

As at 31 December 2009 the portfolio was comprised of eight unquoted start-up banks in the US, with an aggregate value of US\$20,600,000. At the year-end US\$643,324 was invested in high interest cash deposits. The Company is now fully invested and, in accordance with the business plan, US\$736,733 of cash is available for the administration of the Company.

As referred to by your Chairman, the year under review saw a degree of stabilisation in the performance of a majority of the investee banks as new provisions started to level off. Provisions remain heavily concentrated in residential real estate sector and whilst the economic outlook remains uncertain, we are nevertheless starting to see some evidence of a recovery.

The majority of the time spent liaising with the investee banks has been focused on both insisting that very little, if any, residential construction lending is undertaken and also on encouraging them to rigorously investigate the viability of any historic lending of this nature.

The issue that faces the majority of these banks now is how they go forward given that the traditional lifeblood of community bank lending has all but evaporated with the retrenchment of the American housing market and the chronic oversupply of stock. We have focussed on encouraging the banks' management teams to concentrate on steadying their existing portfolio without rushing into new lending areas.

We have selectively agreed to some of our banks raising new capital, especially where they can make attractive acquisitions.

Portfolio (listed alphabetically):

Bank of Atlanta

Bank of Atlanta 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.

Whilst the bank was profitable in the first 3 quarters of the 2009, this position was sharply reversed in the 4th quarter with the bank reporting a loss for the year of US\$3.2m following a default on a single residential construction loan.

The bank continues to be concerned about the state of the Atlanta commercial real estate market where there is a significant over supply of office space and as a consequence the market is expected to show little recovery in the current year.

First American Holdings Inc. – Avenue Bank

First American Financial Holdings Inc. is a community bank headquartered in Nashville, Tennessee, focusing on real estate lending, middle market lending and providing retail banking services to the entertainment industry. The bank completed its follow-on financing and opened for business in February 2007.

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In accordance with its stated business plan, the bank was loss-making throughout the year under review. The first quarter of 2010 was profitable. The bank has accorded with its stated policy of not undertaking any further residential construction lending and has been decreasing their exposure to this sector.

Whilst total non-performing assets did rise to US\$11.3m in the third quarter (US\$1.9m at the end of the previous year) as a consequence of 2 specific credits defaulting, matters did however improve significantly in the fourth quarter with these decreasing by some US\$3.8m to US\$7.5m. The bank is also confident that its commercial real estate loan portfolio remains sound given that the vast majority is owner occupied or purpose built for strong tenants.

The bank is budgeting for initial profitability of US\$1m during the course of 2010. This is based on new loan growth of US\$60m, new deposit growth of US\$60m and an overall growth in total assets of some US\$45m. The key to sustaining this will lie in the bank avoiding any further emerging credit quality issues.

FirstAtlantic Bank of Florida

FirstAtlantic Bank of Florida is a traditional community bank, headquartered in Jacksonville, Florida. The bank, which opened for business in September 2007, had planned to specialise in single family construction lending and Small Business Administration lending but will now concentrate on achieving growth by way of a merger or the acquisition of a troubled bank or its assets.

The bank reported its first quarterly pre-tax profit of US\$135k in the 4th quarter. This profitability has enabled the bank to recognise a deferred tax asset of \$3.1m which resulted in a profit of US\$2.28m for the year under review.

Given the ongoing challenge in originating quality new loans in the State of Florida, the bank is looking at new opportunities for future growth through the acquisition of either a struggling or failed institution. To this end the bank has employed a strategic consultant to advise them on FDIC assisted bids and they have now identified 6 banks, all of which have below US\$200m in total assets, which they believe are likely to fail. The bank has received approval from the Office for the Supervision of Thrifts ('OTS') to acquire a bank with up to US\$150m of assets. Any new acquisition would however require the bank to raise further capital of circa US\$20m.

Florida Capital Group

Florida Capital Group is a nationally chartered, state-wide bank serving the business community of Florida. The bank opened for business in March 2005.

Although the bank remains 'well capitalised' with total capital to risk-weighted assets being 11.03% and Tier 1 capital being 6.4%, the bank is nevertheless continuing to market a further equity raising of US\$15m at US\$1 per share in order to raise these levels to 8.5% and 13.9% respectively. If this issuance is successful then current investors would be diluted by 73%. As the Company is fully invested, it is not envisaged that we will participate in this offer.

Asset quality has shown signs of stabilising in the third and fourth quarters of the year under review with non-performing assets remaining largely unchanged at US\$84.6m at the year end (US\$85.4m in the prior quarter). Most encouraging of all, additions to non-performing loans were only US\$3.8m in the 4th quarter as compared to US\$18.5m in the previous quarter. Loans past due 30-89 days remain largely stable.

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Investment Manager's Report *(continued)*

The bank made losses of US\$484k in the 4th quarter. This included a one-off restructuring charge of US\$325k and demonstrates that in the event that the bank is able to bottom out its problem loan portfolio, it is essentially a break-even or even profitable entity on an ongoing basis. The primary driver for this continues to be the contribution added by the bank's wholesale mortgage operation which contributed fee income of US\$22.7m in 2009 as opposed to US\$6.4m in 2008.

Metropolitan Bank

Metropolitan Bank commenced operations on 28 February 2008 and operates under a Tennessee banking charter. The strategy is to build a bank offering full service banking facilities, to address the fragmented and underserved markets of Memphis, Tennessee and Mississippi. To date, the bank is fully operational in both Tennessee and Mississippi.

The bank achieved initial profitability in the 4th quarter, which is over 6 months ahead of budget and in so doing the bank has managed to preserve 94% of its original capital which is exceptional. The bank continues to position itself for the raising of further capital in order to be best placed to participate in an FDIC acquisition of a failed or struggling institution. In addition, if the bank were able to raise its Tier 1 capital ratio from its current 10.35% to 12% it would enable it to increase its legal and internal lending limits to allow for further growth of the balance sheet. Any fundraising is expected to be around our current holding cost.

The bank has no residential construction lending and only lends on owner occupied commercial real estate. It is looking to grow its loan book slowly as favourable opportunities arise.

Mountain Commerce Bank

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.

The bank made profits of US\$585k during the course of the year under review. This figure would have been closer to US\$1m had the bank not incurred one-off costs of US\$400k in relation to their FDIC insurance commission. The Net Interest Margin for the full year was 3.86% although for the 4th quarter alone, the NIM was in fact 4.2%. The reason for this improvement is due to the continuation of minimum rate loans (floors) and is also due to the shrinkage of the bank's balance sheet which has driven down the cost of their deposits. The bank's Tier 1 capital is 9.26% and its risk-based capital is 12.34% which leaves them classified as being 'well-capitalised'.

The bank are of the opinion that East Carolina banks will increasingly see the need for financial partners in order to survive and therefore they are eager to position themselves to take advantage of this. As such, the bank will be looking at the prospect of capital raising in the second half of the current year.

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.

The bank made losses of US\$2.84m during the year under review. Of this loss, 95% was attributed to the mortgage venture side of the bank's business and this is clearly an area of major concern as the bank struggles to come to terms with the rationalisation of that operation. Other problems include the real estate lending which was discontinued in 2008.

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The core business of lending to the relocation industry remains profitable despite reduced demand due to the impact of weakened economic activity.

TrustAtlantic Financial

TrustAtlantic Financial Corporation is a North Carolina bank, established June 2007, offering full service banking facilities to middle market companies in Raleigh-Durham, North Carolina.

Although the bank was profitable in the year under review (US\$500k), non-performing assets did increase by US\$4.3m to US\$6.1m. This increase does not result from the failure of any one loan: rather it was caused by numerous small defaults across the bank's residential construction portfolio. The bank is comfortable that it does have sufficient levels of cover in relation to these loans and is anticipating being profitable for the next financial year.

North Atlantic Value LLP
Investment Manager
16 June 2010

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2009.

Principal Activity

The principal activity of the Company is to carry on business as an investment company. The Company is listed on AIM.

Investing policy

The investing policy of the Company is to invest in such a way as to achieve a superior capital appreciation over the long term to that available in markets as a whole. The Company intends to achieve this through investment in unquoted start-up banks, which intend to offer banking services to small and medium sized enterprises. The banks will be based in certain regions of the United States, for example Georgia, Florida, Texas, California and the South Carolina coast, where favourable economic, demographic and market factors are expected to contribute to the growth of the banks. The Investment Manager may also use its discretion to hold cash or cash equivalent investments from time to time.

Up to 100 per cent. of the Net Asset Value of the Company may be invested in securities which are not quoted on a recognised stock exchange. These investments are expected to include the provision of start-up capital and secondary financing.

The Company may, from time to time, use borrowings for short-term liquidity purposes and, if the Directors deem prudent, for longer term purposes. The Directors intend to restrict borrowing on a longer term basis to an amount equal to 20 per cent. of the issued share capital of the Company from time to time.

There will be one investment cycle and the Directors intend to return realised capital from investments to Shareholders, with returns denominated in US\$, shortly after the Company has exited its investments. The Company is likely to return this capital through share buy-backs, special dividends or liquidation.

The Directors do not currently intend to incur any borrowings within the Company.

Review of Business

The results for the year are set out on page 14. No Dividend has been declared for the year ended 31 December 2009.

Authorised Share Capital

At 31 December 2009 there were 3,800,000 Ordinary Shares in issue.

Authority to Buy Back Shares

At the Annual General Meeting on 5 August 2009, Shareholders authorised the Company to repurchase its Ordinary Shares. The Directors wish to renew the authority given by Shareholders at the previous Annual General Meeting.

The maximum price that may be paid on the exercise of this authority must not exceed 105% of the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased. The minimum price which may be paid is US\$0.01 per share.

The resolution will renew the authority to purchase through the market the maximum aggregate of 14.99 per cent of the allotted Ordinary Share Capital of the Company on the date of the notice convening the meeting at which the resolution is proposed, amounting to 569,620 Ordinary Shares. The authority will expire on the earlier of the date of the next Annual General Meeting or after a period of 18 months from the date of passing the resolution.

No shares have been repurchased by the Company in the year.

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Directors' Interests

The Directors of the Company are as stated on page 2.

The following Directors, including persons connected with them, held the following number of shares at 31 December 2009:

Director	Number of Ordinary Shares	Percentage (%)
Robin Monro-Davies	120,000	3.16%
James Baxter	50,000	1.32%
George Hacker	10,000	0.26%

The below table shows the acquisition of shares by Directors from 1 January 2009 to 31 December 2009:

Director	Date Purchased	Number of Ordinary Shares Purchased	Price paid per Share	US Dollar equivalent @ indicative exchange rate	Percentage (%)
Robin Monro-Davies	15/09/09	70,000	£1.15	\$1.857	1.84%
James Baxter	15/09/09	30,000	£1.15	\$1.857	0.79%
George Hacker	15/09/09	10,000	£1.15	\$1.857	0.26%

There have been no changes in the above interests between 31 December 2009 and the date of this report.

Directors' Remuneration

Each of the Directors has signed a letter of appointment with the Company setting out the terms of their appointment. The Directors' remunerations are paid in pounds sterling. The basic fee payable to each independent Non-Executive Director is payable at a rate of £15,000 per annum (2008: £15,000 per annum), except for the Chairman who receives £18,000 per annum (2008: £18,000 per annum). The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

	2009
	US\$
Chairman:	
Robin Monro-Davies	28,622
Directors:	
James Baxter	23,850
Sidney Cabessa	23,850
Rupert Evans	23,850
George Hacker	23,850
Total	<u>124,022</u>

None of the Directors had a service contract with the Company during the year.

Going concern

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements. No material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors.

North American Banks Fund Limited
Annual Report and Financial Statements for the year ended 31 December 2009

Directors' Report *(continued)*

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year and are in accordance with International Financial Reporting Standards and applicable laws.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have also taken all steps they ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint Grant Thornton Limited, as auditors will be proposed at the next annual general meeting.

By order of the Board

James Baxter
Director
16 June 2010

Sidney Cabessa
Director
16 June 2010

Independent Auditors' Report to the Shareholders of North American Banks Fund Limited

We have audited the financial statements of North American Banks Fund Limited for the year ended 31 December 2009 which comprise of the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 11 the company's directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you, if in our opinion:

- the company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey, Channel Islands

16 June 2010

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Statement of Comprehensive Income

	Notes	2009 US\$	2008 US\$
Income			
Interest income	2	-	57,522
Net loss on investments designated at fair value through profit or loss		(3,750,000)	(8,848,003)
Total investment loss		(3,750,000)	(8,790,481)
Expenses			
Administration fees	3	95,216	108,670
Audit fees		33,634	39,329
Bank charges		2,295	3,532
Insurance		21,713	20,621
Custody fees	3	8,026	9,927
Listing fees		9,339	13,049
FT Prices fees		5,157	4,715
Directors' fees		124,022	139,993
Disbursements		772	701
Investment manager fees	3	324,809	405,312
Printing costs		3,513	-
Regulatory fees		5,662	6,472
Registrar fees		19,903	19,685
Travel costs		48,382	21,305
Broker fees		23,478	28,991
Legal fees		3,554	1,606
Total expenses		729,475	823,908
Loss and total comprehensive loss for the year		(4,479,475)	(9,614,389)
Basic and diluted loss per share	4	(US\$1.179)	(US\$2.530)

Loss and comprehensive loss for the year are attributable to the shareholders of the Company.

The accompanying notes on pages 18 to 27 form an integral part of the financial statements.

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Statement of Changes in Equity
For year ended 31 December 2009

	Share Capital US\$	Distributable Reserve US\$	Accumulated Deficit US\$	Total US\$
Equity at 1 January 2009	38,000	36,893,502	(11,571,499)	25,360,003
Loss for the year attributable to equity shareholders and total comprehensive loss for the year	-	-	(4,479,475)	(4,479,475)
Equity at 31 December 2009	38,000	36,893,502	(16,050,974)	20,880,528

Statement of Changes in Equity
For year ended 31 December 2008

	Share Capital US\$	Distributable Reserve US\$	Accumulated Deficit US\$	Total US\$
Equity at 1 January 2008	38,000	36,893,502	(1,957,110)	34,974,392
Loss for the year attributable to equity shareholders and total comprehensive loss for the year	-	-	(9,614,389)	(9,614,389)
Equity at 31 December 2008	38,000	36,893,502	(11,571,499)	25,360,003

The accompanying notes on pages 18 to 27 form an integral part of the financial statements.

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Statement of Financial Position

	Notes	2009 US\$	2008 US\$
Non-current assets			
Investments designated at fair value through profit or loss	5	<u>20,600,000</u>	<u>24,350,000</u>
Current assets			
Prepayments		13,453	11,006
Cash and cash equivalents	6	<u>736,733</u>	<u>1,140,084</u>
		<u>750,186</u>	<u>1,151,090</u>
Total assets		<u>21,350,186</u>	<u>25,501,090</u>
Current liabilities			
Creditors	7	<u>469,658</u>	<u>141,087</u>
		<u>469,658</u>	<u>141,087</u>
Net assets		<u>20,880,528</u>	<u>25,360,003</u>
Shareholders equity			
Share capital	8	38,000	38,000
Distributable reserve	9	36,893,502	36,893,502
Accumulated deficit		(16,050,974)	(11,571,499)
Total equity		<u>20,880,528</u>	<u>25,360,003</u>
Net Asset Value per Share	10	<u>US\$5.49</u>	<u>US\$6.67</u>

The financial statements on pages 14 to 27 were approved by the Board of Directors on 16 June 2010 and are signed on its behalf by:

James Baxter
 Director

Sidney Cabessa
 Director

The accompanying notes on pages 18 to 27 form an integral part of the financial statements.

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Statement of Cash Flows

	Notes	2009 US\$	2008 US\$
Operating Activities			
Loss for the year attributable to equity shareholders		(4,479,475)	(9,614,389)
Unrealised losses on investments		3,750,000	8,848,003
(Increase) / decrease in receivables		(2,447)	19,578
Increase in payables		328,571	9,688
Net cash flow from operating activities		<u>(403,351)</u>	<u>(737,120)</u>
Investing Activities			
Purchases of investments	5	-	(3,000,000)
Cash flow from investing activities		<u>-</u>	<u>(3,000,000)</u>
Net decrease in cash and cash equivalents		(403,351)	(3,737,120)
Cash and cash equivalents, at beginning of the year		1,140,084	4,877,204
Cash and cash equivalents, at end of the year	6	<u>736,733</u>	<u>1,140,084</u>

The accompanying notes on pages 18 to 27 form an integral part of the financial statements.

Notes to the Financial Statements

1. Significant Accounting Policies

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.

Going concern

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements. No material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Directors are of the opinion that the company has adequate financial resources to meet its day to day operations for the foreseeable future. The Investment manager fee is due for repayment on 31 October 2010, however the Directors have received assurances from the Investment Manager that the Investment Manager will not demand repayment of its fees at the repayment date and will rollover its fee for an indefinite period.

Basis of Accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union 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 inclusion at fair value 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. It also requires the Board of Directors to exercise its judgement in the process of applying the Company’s accounting policies.

Adoption of new and revised standards

In the current financial year, the Company has adopted International Financial Reporting Standard 8 “Operating Segments” and International Accounting Standard 1 “Presentation of Financial Statements” (revised 2007).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Directors to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard IAS 14 “Segmental Reporting” required the Company to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Company’s system of internal financial reporting to Directors serving only as the starting point for the identification of such segments. However, as the Company is engaged in a single segment of business and no such segmental reporting is undertaken, this has not resulted in any changes to the financial information provided.

IAS 1 (revised) requires the presentation of a Statement of Changes in Equity as primary statement, separate from the Income Statement and Statement of Comprehensive Income. As a result, a Statement of Comprehensive Income has been included in the primary statements, showing changes in each component of equity for each period presented.

North American Banks Fund Limited
Annual Report and Financial Statements for the year ended 31 December 2009

Notes to the Financial Statements *(continued)*

The following amendments and interpretations are mandatory for the Company's accounting periods on or after 1 July 2009 but are not relevant for the Company's operations:

IFRS 1 (revised)	First-Time Adoption of International Financial Reporting Standards
IFRS 2 (revised)	Share Based Payment - Amendments resulting from April 2009 annual improvements to IFRS
IFRS 3 (revised)	Business combinations - Comprehensive revision on applying the acquisition method
IFRS 5 (revised)	Non-Current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 annual improvements to IFRSs
IAS 27 (revised)	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS3
IAS 28 (revised)	Investments in Associates - Consequential amendments arising from amendments to IFRS3
IAS 31 (revised)	Interest in Joint Ventures - Consequential amendments arising from amendments to IFRS3
IAS 38 (revised)	Intangible Assets – Amendments resulting from April 2009 annual improvements to IFRSs
IAS 39 (amendment)	Financial instruments: recognition and measurement – Amendments for eligible hedged items
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfers of assets from owners

Fair Values of Financial Instruments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition, investments are designated by the Company as 'at a fair value through profit or loss'. They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off in the Statement of Comprehensive Income). Subsequently, the investments are valued at 'fair value', which for the unlisted investments where there is not an active market, is established by using recognised valuation methodologies:

- Price of recent investment – This represents the cost of the investment or the price at which a significant amount of new investment has been made by an independent third party, but is only considered relevant for a limited period following the date of the relevant transaction. During this limited period, the value of the investment is assessed for changes or events that would imply decline or appreciation in fair value. In addition, the valuation technique also represents certain situations where although the limited period has expired, an alternative valuation technique is not followed because an additional investment has been made by the Company at the same price as the previous investment and an alternative valuation technique would not result in a better estimate of fair value.
- Net Assets – The value of the business is derived by using appropriate measures to value the assets and liabilities of the investee company.
- Earnings Multiple – A multiple that is appropriate and reasonable, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of that company.

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Applying the above valuation methodologies as at 31 December 2009 produced a valuation for the portfolio of US\$20.600 million (2008: US\$24.350 million) and net loss on investments designated at fair value through profit or loss recognised in the Statement of Comprehensive Income of US\$3.750 million (2008: loss of US\$8.848 million).

Gains and losses arising from the changes in the fair value of investments are included in the Statement of Comprehensive Income in the year in which they arise.

For certain of the Company's financial instruments, including cash and cash equivalents, interest and other receivables and accrued expenses, the carrying amounts approximate fair value due to their immediate or short-term maturity.

Security Transactions and Investment Income

Security transactions are recorded on the trade date. Realised gains on the sale of investments are included in the Statement of Comprehensive Income in the year they arise.

Other Accruals and Payables

Other accruals and payables are not interest-bearing and are stated at their nominal value.

Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Income

Interest income derived from cash monies is held in current and deposit accounts throughout the year and is accounted for on an effective interest method.

Expenses

All expenses are accounted for on an accruals basis. The Company's investment management fee, administration fees and all other expenses are charged through the Statement of Comprehensive Income. The Company has no employees.

Operating Segments

A segment is a distinguishable component of the Company using the measures reported to the chief operating decision maker.

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity investments, issued by companies operating and generating revenue in the United States. As such the chief operating decision maker feels that no segmental analysis is required.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies (described within note 1 above), the Company has determined that the following judgements and estimates have the most significant effect on the amounts recognised in the financial statements:

Fair values of financial instruments

The fair value of financial instruments not traded in active markets is determined using generally accepted valuation techniques. The Company uses a variety of methods and assumptions that are based on market conditions existing at the Statement of Financial Position date. Valuation techniques used are outlined in *Fair Values of Financial Instruments* above.

North American Banks Fund Limited
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Notes to the Financial Statements *(continued)*

Notwithstanding the above, the variety of valuation bases adopted and quality of management information provided by the underlying investee companies means there are inherent difficulties in determining the value of those investments. Amounts realised on the sale of those investments will inevitably differ from the values reflected in these financial statements and the difference may be significant.

Fair value and impairment estimates are made at a specific point in time based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement.

Taxation

The Company has obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that it is exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable in Guernsey. The Company is, therefore, only liable to a fixed fee of £600 per annum. The Directors intend to conduct the Company's affairs such that it continues to remain eligible for exemption.

2. Interest Income

	2009	2008
	US\$	US\$
Interest income on fixed deposits	-	54,476
Interest on bank deposits	-	3,046
	<hr/>	<hr/>
	-	57,522

3. Investment Management, Accounting and Administration, and Custodian Fee

North Atlantic Value LLP serves as the Investment Manager to the Company. Pursuant to the terms of the Investment Management Agreement, the Investment Manager is paid periodic fees, monthly in arrears, at a rate equivalent to 1.25% per annum of the Net Asset Value of the Company.

BNP Paribas Fund Services (Guernsey) Limited serves as the Company's custodian and is paid an annual custodian fee of 0.03% of the Net Assets of the Company payable monthly in arrears (plus transaction charges).

BNP Paribas Fund Services (Guernsey) Limited also serves as the Company's administrator. The Administrator is entitled to a fee calculated on the basis of 0.125% of the Net Assets of the Company payable monthly in arrears, subject to an overall minimum fee of £60,000 per annum.

4. Basic and Diluted Earnings per Share

The basic and diluted earnings per share is based on the net loss for the year of US\$4,479,475 (2008: loss of US\$9,614,389) and a weighted average number of Ordinary Shares in issue during the year of 3,800,000 (2008: 3,800,000).

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Annual Report and Financial Statements for the year ended 31 December 2009

5. Investments designated at fair value through profit or loss

	2009 US\$	2008 US\$
Fair values at 1 January	24,350,000	30,198,003
Additions during the year	-	3,000,000
Unrealised gains on investments	-	500,000
Unrealised losses on investments	(3,750,000)	(9,348,003)
Fair values at 31 December	<u>20,600,000</u>	<u>24,350,000</u>

6. Cash and Cash Equivalents

	2009 US\$	2008 US\$
Cash at bank	<u>736,733</u>	<u>1,140,084</u>

7. Creditors

	2009 US\$	2008 US\$
Administration fee accrual	8,229	7,306
Audit accrual	32,298	28,756
Custody fee accrual	629	737
Directors' fee accrual	31,749	28,190
Investment manager fee accrual	385,292	60,484
Other payables	11,461	15,614
	<u>469,658</u>	<u>141,087</u>

8. Share Capital

	2009 No. of Shares	US\$	2008 No. of Shares	US\$
Authorised:				
Ordinary shares of US\$0.01 each	<u>100,000,000</u>	1,000,000	<u>100,000,000</u>	1,000,000
Issued and fully paid:				
Ordinary shares of US\$0.01 each	<u>3,800,000</u>	38,000	<u>3,800,000</u>	38,000

The share capital of the Company comprises one class of Ordinary shares which carry the right to vote at a general meeting. The ordinary shares carry no rights to fixed income.

Notes to the Financial Statements *(continued)*

9. Distributable Reserve

The balance on the distributable reserve at the year end is US\$ 36,893,502

The purpose of the distributable reserve is to provide the Company with the ability to repurchase its shares if and when it is considered beneficial to do so by the Directors.

10. Net Asset Value per Share

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.

11. Financial Instruments and Risk Profile

The Company's financial instruments comprise its investment portfolio (see page 4), cash balances, trade receivables and trade payables that arise directly from its operations. Note 1 sets out the accounting policies, including criteria for recognition and the basis for measurement, applied to significant financial instruments excluding cash and cash equivalents which are carried at fair value. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised.

The main risks arising from the Company's financial instruments are:

- (i) market risk, including currency risk, interest rate risk and other price risk;
- (ii) liquidity risk; and
- (iii) credit risk

The Company Secretary, in close cooperation with the Board of Directors and the Investment Manager, coordinates the Company's risk management. The policies for managing each of these risks are summarised below and have been applied throughout the year.

(i) Market risk

The Company invests in unquoted equity securities. However, the fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks, which policies have remained substantially unchanged from those applying in the year ended 31 December 2008. The Investment Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

Currency risk

The functional and presentational currency of the Company is US Dollars ("US\$"). Foreign currency risk is the risk that a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk in 2009 and 2008 is minimal as all of the Company's material assets and liabilities are denominated in US\$.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate sensitive assets comprise cash at bank which is subject to floating rates. As such the Board does not believe the Company suffers any material interest rate risk.

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Other price risk

Other price risks (i.e. changes in market prices other than those arising from currency risk or interest rate risk) may affect the value of the unquoted investments.

The Company's exposure to price risk comprises mainly movements in the value of the Company's investments. As at the year-end, the spread of the Company's investment portfolio is analysed on page 4.

The Board of Directors manages the market price risks inherent in the investment portfolios by ensuring full and timely access to relevant investment information from the Investment Manager. The Board meets regularly to review investment performance. The Board monitors the Investment Manager's compliance with the Company's objectives and is directly responsible for investment strategy and asset allocation.

The Company's exposure to other changes in market prices at 31 December 2009 on its investments was as follows:

	2009 US\$	2008 US\$
Financial assets at fair value through profit or loss		
– Non current investments at fair value through profit or loss	<u>20,600,000</u>	<u>24,350,000</u>

The following table illustrates the sensitivity of the profit and net assets to an increase or decrease of 10% in the fair values of the Company's equities. 10% is the sensitivity rate used when reporting risk internally to key investment management personnel. The sensitivity analysis is based on the Company's equities at each Statement of Financial Position date, with all other variables held constant. A positive number indicates an increase in net assets attributable to holders of equity shares where the market price of the relevant financial instrument increases and a negative number indicates a decrease where the market price of the relevant financial instrument decreases.

	2009		2008	
	Increase in fair value US\$	Decrease in fair value US\$	Increase in fair value US\$	Decrease in fair value US\$
Statement of Comprehensive Income				
Loss for the year	<u>2,034,250</u>	<u>(2,034,250)</u>	<u>2,404,500</u>	<u>(2,404,500)</u>
Net assets	<u>2,034,250</u>	<u>(2,034,250)</u>	<u>2,404,500</u>	<u>(2,404,500)</u>

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

A maturity analysis of the Company's contractual undiscounted liabilities is included in the table below:

	Maturity	2009 US \$'000	2008 US \$'000
Accrued investment managers fee payable	October 2010	385,292	-
Other accrued expenses payable	< 1 month	<u>84,366</u>	<u>141,087</u>
		<u>469,658</u>	<u>141,087</u>

The Company monitors rolling forecasts of its liquidity requirements in order to ensure that it has sufficient cash to meet its obligations as they fall due.

Notes to the Financial Statements *(continued)*

(iii) Credit risk

Credit risk is the risk that an issuer or counterparty may be unable or unwilling to meet a commitment that it has entered into with the Company.

The Company's principal financial assets are cash and cash equivalents, other receivables and investments as set out in the Statement of Financial Position which, excluding investments, represents the Company's maximum exposure to credit risk in relation to the financial assets.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings of A-1+ assigned by international credit-rating agencies.

Fair value of financial assets and financial liabilities

The fair value for each class of financial assets and liabilities, compared with the corresponding amount in the Statement of Financial Position sheet were as follows (trade receivables and trade payables, are excluded from the comparison, as their carrying amounts are a reasonable approximation of their fair value).

	2009	2009	2008	2008
	Fair value	Statement of Financial Position value	Fair value	Statement of Financial Position value
	US\$	US\$	US\$	US\$
Financial assets				
Financial assets at fair value through profit or loss				
– Non current assets	20,600,000	20,600,000	24,350,000	24,350,000
– Cash and cash equivalents	736,733	736,733	1,140,084	1,140,084

fair values are derived as follows:

- Financial assets – as set out in the accounting policies on pages 18 to 21.
- Cash and cash equivalents – at face value of the account.

Fair value of financial assets and financial liabilities *(continued)*

The table below sets out fair value measurements using the IFRS 7 fair value hierarchy:

Financial assets at fair value through profit or loss

At 31 December 2009

	Total	Level 1	Level 2	Level 3
	US\$	US\$	US\$	US\$
Equity Investments	20,600,000	-	-	20,600,000
Total	20,600,000	-	-	20,600,000

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 - valued using quoted prices in active markets for identical assets

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Level 2 - valued by reference to observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

A reconciliation of fair value measurements in Level 3 is set-out below:

Level 3 financial assets at fair value through profit or loss

At 31 December 2009

	Equity investments	Total
	US\$	US\$
Opening Balance	20,600,000	20,600,000
Purchases	-	-
Sales	-	-
Total gains or losses included in gains on investments in the Statement of Comprehensive Income:		
On assets sold	-	-
On assets held at the end of the year	-	-
Closing Balance	20,600,000	20,600,000

There were no transfers in or out of level 3 during the year.

The above illustrations re IFRS 7 fair value hierarchy do not include comparative information as comparatives are not required in the first year of application.

The valuation techniques used by the Company are explained in the significant accounting policies note on pages 18 to 21.

Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern, and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Company's capital at 31 December comprises:

	2009	2008
	US\$	US\$
Equity		
Equity share capital	38,000	38,000
Accumulated deficit and other reserves	20,842,528	25,322,003
	<u>20,880,528</u>	<u>25,360,003</u>

Notes to the Financial Statements *(continued)*

The Board, with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes account of the Investment Manager's views on the market;
- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the need for new issues of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is not subject to externally imposed capital requirement.

12. Related Party Transactions

The Directors' interests in the shares of the Company are disclosed on page 11. In the Directors' opinion there are no other related party transactions to disclose in accordance with the requirements of IAS 24.

13. Ultimate Controlling Party

The Directors are not aware of any ultimate controlling party.

14. Subsequent Events

Subsequent to the year end, the Company announced on 16 June 2010, that it would make a further provision of US\$1.2 million against the value of its investment in TrustAtlantic Financial, this was following a recent capital raising by TrustAtlantic Financial at a price per share, which was 30 per cent. below the Fund's last valuation of this investment.

15. Approval of the Financial Statements

The financial statements were approved by the Board of Directors on 16 June 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of North American Banks Fund Limited will be held at BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA on 20 August 2010 at 11:30 am for the following purposes:

To consider and, if thought fit, pass the following as Ordinary Resolutions:

- (1) To receive the annual financial statements and the reports of the Directors and Auditors for the year ended 31 December 2009.
- (2) To reappoint Grant Thornton Limited as Auditors of the Company until the conclusion of the next General Meeting of the Company at which Accounts are laid before the Members and to authorise the Directors to determine the remuneration of the Auditors.

Special Business

- (3) **THAT**, in accordance with section 315 of the Companies (Guernsey) Law, 2008, as amended, the Company be and hereby is generally and unconditionally authorised to make one or more market purchases (as defined in section 316 of the Companies (Guernsey) Law, 2008, as amended) of ordinary shares ("Ordinary Shares") of US\$0.01 each in the capital of the Company on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:
 - (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is 569,620 (being the number representing approximately 14.99 per cent of the issued Ordinary Share capital of the Company on the date of the notice convening the meeting at which this resolution is proposed);
 - (ii) the minimum price payable by the Company for each Ordinary Share is US\$0.01 and the maximum price payable by the Company for each Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased;
 - (iii) subject to paragraph (iv), this authority shall expire at the earlier of the conclusion of the next annual general meeting of the Company to be held in 2011 or on the date which is 18 months from the date of the passing of this resolution; and
 - (iv) notwithstanding paragraph (iii), the Company may make a contract to purchase Ordinary Shares under this authority before the expiry of this authority which will or may be executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares in pursuance of any such contract after such expiry.

BY ORDER OF THE BOARD

BNP Paribas Fund Services (Guernsey) Limited
Secretary
BNP Paribas House
St Julians Avenue
St Peter Port
Guernsey GY1 1WA
16 June 2010

North American Banks Fund Limited
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Notice of Annual General Meeting *(continued)*

Notes:

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
2. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (during normal business hours) not later than 11:30 am 18 August 2010. Alternatively it can be posted to Freepost RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU, whereby there is no postage to pay if posted in the U.K.
3. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting and voting should he or she so wish.
4. A member may appoint one or more proxies in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him.
5. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than 11:30 am 18 August 2010. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.

North American Banks Fund Limited
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Form of Proxy

(PLEASE USE BLOCK CAPITALS)

I/We, (name in full) _____

(BLOCK LETTERS PLEASE)

of (address in full) _____ being (a)
 member(s) of North American Banks Fund Limited, hereby appoint the Chairman of the meeting or the
 Company Secretary or *(note 1) _____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to
 be held on 20 August 2010, on the following Resolutions to be submitted to the meeting and at any
 adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless
 otherwise instructed, the proxy will vote as he thinks fit or abstain.

	Ordinary Resolutions	For	Against	Withheld
1.	To receive the annual financial statements and the reports of the Directors and Auditors for the year ended 31 December 2009			
2.	To reappoint Grant Thornton Limited as Auditors of the Company until the conclusion of the next General Meeting of the Company at which Accounts are laid before the Members and to authorise the Directors to determine the remuneration of the Auditors			
	Special Business			
	Ordinary Resolution			
3.	To allow the Directors to make market purchases of Ordinary Shares			

Signed : _____ **Name in Capitals :** _____

Date:

NOTES:

1. A member may appoint a proxy of his own choice. If such an appointment is made, delete the words the chairman of the meeting or the Company Secretary and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.
4. If this form is returned without indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
5. To be valid, this form must be completed and deposited at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (during normal business hours) not less than 48 hours before the time fixed for holding the meeting or adjourned meeting. Alternatively it can be posted to Freepost RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU, whereby there is no postage to pay if posted in the U.K.

PLEASE USE REPLY PAID ENVELOPE PROVIDED