

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended immediately to seek your own independent financial advice from your stockbroker, solicitor, accountant, bank manager or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are outside the United Kingdom.

If you have sold or otherwise transferred all of your Ordinary Shares please send this document and the accompanying Form of Proxy, as soon as possible, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

North American Banks Fund Limited

(a closed-ended investment company incorporated in Guernsey with registered number 43130)

Proposed cancellation of admission to trading on AIM and Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of North American Banks Fund Limited which is set out in Part I of this document in which the Directors recommend that you approve the Proposal described in this document by voting in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of North American Banks Fund Limited to be held at BNP Paribas House, 1 St Julian's Avenue, St Peter Port, Guernsey GY1 1WA on 6 January 2011 at 10.00 a.m. is set out at the end of this document.

A Form of Proxy for use by all Shareholders at the General Meeting is enclosed with this document. To be valid, the accompanying Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon to the Company's registrars, by hand (during normal business hours only) or by post, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.00 a.m. on 4 January 2011.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<u>2011</u>
Latest time and date for receipt of Forms of Proxy for the General Meeting	10.00 a.m. on 4 January
General Meeting	10.00 a.m. on 6 January
Cancellation of the admission to trading of the Ordinary Shares on AIM	8.00 a.m. on 14 January

Note: All references in this document are to London times unless otherwise stated.

DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy unless the context requires otherwise:

“AIM”	the market of that name operated by London Stock Exchange plc
“AIM Rules”	the AIM Rules for Companies issued by London Stock Exchange plc
“Articles of Association”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company, whose names appear on page 4 of this document
“Business Day”	a day (other than a Saturday, Sunday or public holiday) when clearing banks are open for general banking business in the City of London
“Cancellation”	cancellation of the admission of the Ordinary Shares to trading on AIM
“Companies Laws”	the Companies (Guernsey) Law 2008 as amended, extended or replaced and any ordinance, statutory instrument, or regulation made thereunder
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Form of Proxy”	the form of proxy to be used by Shareholders at the General Meeting accompanying this document
“FSMA”	The Financial Services and Markets Act 2000 as amended
“General Meeting” or “GM”	the general meeting of the Company which is due to be held at BNP Paribas House, 1 St Julian’s Avenue, St Peter Port, Guernsey on 6 January 2011 at 10.00 a.m. and notice of which is given at the end of this document
“Investment Manager” or “North Atlantic Value”	North Atlantic Value LLP
“NABF” or the “Company”	North American Banks Fund Limited
“NASCIT”	North Atlantic Smaller Companies Investment Trust Plc
“NAV”	the net asset value of the Company, calculated in accordance with the Company’s published accounting policies
“NAV per Ordinary Share”	the NAV divided by the number of Ordinary Shares currently in issue
“Ordinary Shares” or “Shares”	ordinary shares of \$0.01 each in the capital of the Company
“Portfolio”	the Company’s portfolio of investments
“Portfolio Investments”	the investments held in the Portfolio
“Proposal”	the proposed cancellation of the admission to trading of the Ordinary Shares on AIM
“Registrars”	Capita Registrars (Guernsey) Limited, Longue Hougue House, St Sampson, Guernsey GY2 4JN
“Resolution”	the resolution to be proposed at the GM, the full text of which is set out in the Notice of General Meeting at the end of this document
“Shareholders”	holders of Ordinary Shares

PART I
LETTER FROM THE CHAIRMAN

North American Banks Fund Limited

(a closed-ended investment company incorporated in Guernsey with registered number 43130)

Directors:

Robin Monro-Davies (*Chairman*)
James Baxter (*Non-executive Director*)
Sidney Cabessa (*Non-executive Director*)
Rupert Evans (*Non-executive Director*)
George Hacker (*Non-executive Director*)

Registered and Head Office

BNP Paribas House
1 St Julian's Avenue
St Peter Port
Guernsey GY1 1WA

10 December 2010

To all Shareholders

Dear Shareholder

Proposed Cancellation of admission to trading on AIM and Notice of General Meeting

1. Introduction

As you are aware, the Directors have been concerned for some time as to the Company's size, the discount at which the Ordinary Shares trade to NAV and the cost of the Company remaining quoted on AIM. The Company has seen limited trading volume in the Shares.

The Investment Portfolio comprises a number of unquoted investments in banks in the United States. As Shareholders are aware, the Company has limited resources available to it to provide further support to the Portfolio Investments held and it would be very difficult to raise, in the foreseeable future, any further funds on AIM.

Your Directors have discussed the situation with a number of the Company's larger Shareholders and consider that the best strategy for the Company is to reduce overheads pending realisation of the Investment Portfolio. Therefore, as a first stage in this process, the Directors have decided to seek Shareholder approval for the Cancellation.

The purpose of this document is to provide you with details of the Proposal and of the Resolution to be proposed at the General Meeting of the Company to be held on 6 January 2011 at 10.00 a.m. and convened by the formal Notice of General Meeting set out at the end of this document and to explain why the Directors consider the Resolution to be in the best interests of the Company and Shareholders as a whole and why they recommend that all Shareholders vote in favour of the Resolution.

2. Information on the Company and the Portfolio Investments

NABF is a closed-ended investment company incorporated in Guernsey as a company limited by shares which are admitted to trading on AIM.

NABF raised US\$38.0 million in June 2005 by means of a placing to take advantage of the then opportunity to invest in de novo banks, predominantly in the South Eastern region of the United States. Following the 2008 banking crisis, the prospects for liquidity in the Portfolio have been extended beyond the original expected life of the Company.

As noted above, the Company has limited resources available to it to provide further support to the Portfolio Investments held and it would be very difficult to raise, in the foreseeable future, any further funds on AIM. The most recent published NAV as at 30 November 2010) was equivalent to approximately US\$16.61 million (equivalent to £10.64 million) and the market capitalisation as at close of business on 10 December 2010 (the latest practicable date prior to the publication of this document) was £4.09 million.

As noted above, the Directors consider that the best strategy for the Company therefore is now to reduce overheads pending realisation of the Investment Portfolio. Immediate cost savings from Cancellation are estimated to exceed 12% of the Company's annual expenses (excluding investment management fees) initially and are expected to increase significantly over time.

While the various Portfolio Investments are freely transferable there is, in practice, little liquidity in any of them and such dealings as take place are conducted on a matched bargain basis. There is no requirement for details of the volume traded and price paid to be reported. This may be one of the factors which has led to the Ordinary Shares trading at a significant discount to the net asset value (currently 62 per cent. to the 30 November NAV per Share).

3. Proposal

As stated above, the Proposal involves the cancellation of the admission to trading of the Ordinary Shares on AIM. Under the AIM Rules the Cancellation can only be effected by the Company after it has been approved by a special resolution passed by Shareholders at a general meeting.

The Company has notified the London Stock Exchange of its intention to seek Shareholder approval for the cancellation of the admission of the Shares to trading on AIM. If Shareholders pass the Resolution at the GM, it is expected that the last day of trading in the Shares on AIM will be 13 January 2011 and that Cancellation will take effect at 8.00 a.m. on 14 January 2011.

The Directors do not intend to put in place any formal mechanism for matching potential sellers of Ordinary Shares with potential buyers after the Cancellation has taken effect. Therefore, after Cancellation any dealings would be off market at a price to be agreed between the relevant parties and would be settled through CREST or registered in the normal way if the transfer, accompanied by the documents of title, is received by the Registrars.

4. Intentions following Cancellation

The Directors are aware that there are a number of Shareholders who may be interested in having an opportunity to achieve an early exit while there are others who would prefer to remain invested in the Company and to receive their due proportion of the sale proceeds from the disposal of the Portfolio Investments over time.

NASCIT, which currently holds 21.1 per cent of the Company's issued Ordinary Shares and is a fully listed investment trust whose portfolio is also managed by the Investment Manager, has informed the Company that it is, in principle, willing to enter into negotiations with the Company after Cancellation with a view to granting the Company a put option to require NASCIT to buy the Portfolio, or a suitable proportion of it, at a price which would enable the Company to generate cash to fund an early exit by way of a share buy back at a price of £1.60 per Share for those Shareholders who wish to take advantage of this. It would be for Shareholders to decide whether to take advantage of this early exit opportunity. While the proposed exit price is above the most recent market price for the Shares the purchase price for the acquisition of Portfolio Investments by NASCIT would be at a significant discount to their current carrying value in the Portfolio.

The Directors intend to pursue such negotiations following the Cancellation and, subject to suitable terms being agreed with NASCIT, to make available an early exit opportunity by way of a share buy back for those who wish. While the Directors believe that NASCIT will deliver on its intention to negotiate the terms mentioned above, Shareholders should be aware that there is no guarantee that the Company will be able to reach an agreement with NASCIT, or any other party, on terms that the Directors consider acceptable for the sale of part or all of the Portfolio to fund an early exit by way of a share buy back or indeed at what price per Share such a buyback would be made.

Any share buyback will itself require Shareholder approval by special resolution at a further general meeting of Shareholders and a further circular would be issued after Cancellation if an agreement on suitable terms can be entered into with NASCIT, or any other party, which would allow the Board to make available to Shareholders an early exit opportunity. Such circular would give details of the arrangements and seek Shareholders' approval to any proposals.

Shortly following completion of any such buy back (or the Directors deeming it not to be feasible to effect a buyback on acceptable terms), the Directors would expect to seek Shareholder approval for the Company to be placed into members voluntary liquidation. This would provide a setting in which the Company could operate at further reduced cost pending the realisation of the remainder of the Portfolio.

5. Investment Manager

North Atlantic Value has confirmed its willingness to continue to act as investment manager for the Company notwithstanding the Proposals referred to in this document and has confirmed that it will continue to support the Company by allowing the Company to continue to defer the payment of management fees due and accruing to North Atlantic Value until investments in the Portfolio are realised.

6. The Resolution

The Resolution seeks approval for the proposed cancellation of the admission of the Ordinary Shares to trading on AIM and authorises the Directors to make the necessary arrangements. It is intended such cancellation will take effect at 8.00 a.m. on 14 January 2011

7. General Meeting

You will find set out at the end of this document, a notice convening the General Meeting to be held at BNP Paribas House, 1 St Julian's Avenue, St Peter Port, Guernsey GY1 1WA at 10.00 a.m. on 6 January 2011.

8. Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon.

If you wish to appoint a proxy, you are requested to complete and return the Form of Proxy as soon as possible and, in any event, so as to be delivered by hand (during normal business hours only) to, or received by post by, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the General Meeting (that is, by 10.00 a.m. on 4 January 2011) or adjourned General Meeting. Unless the Form of Proxy is received by this date and time, it will be invalid.

Further information is set out in the notes to the Notice of General Meeting at the end of this document.

The return of the completed Form of Proxy will not affect your right as a Shareholder to attend the General Meeting and vote in person if you wish to do so.

9. Recommendation

The Directors consider the Proposal to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as they intend to do in respect of their own personal beneficial shareholdings which they can vote, amounting to, in aggregate 180,000 Ordinary Shares, representing approximately 4.7 per cent. of the current issued share capital of the Company.

Yours sincerely

Robin Monro-Davies
Chairman

NOTICE OF GENERAL MEETING

North American Banks Fund Limited

(a closed-ended investment company incorporated in Guernsey with registered number 43130)

NOTICE IS HEREBY GIVEN THAT a General Meeting of North American Banks Fund Limited (the "Company") will be held at BNP Paribas House, 1 St Julian's Avenue, St Peter Port, Guernsey at 10.00 a.m. on 6 January 2011 for the following purposes:

To consider and, if thought fit, to pass the following resolution as a special resolution:

That the cancellation of admission of the Company's ordinary shares to trading on the AIM market of London Stock Exchange plc be approved and the Directors be authorised to make arrangements for such cancellation to take effect as soon as possible after the passing of this resolution.

By order of the Board

BNP Paribas Fund Services (Guernsey) Limited
Secretary

Dated: 10 December 2010

Registered Office

BNP Paribas House
1 St Julian's Avenue
St Peter Port
Guernsey GY1 1WA

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint another person (whether a member or not) as his proxy to attend the meeting and, on a poll, vote instead of him. A Form of Proxy is enclosed which, if required, should be completed in accordance with the instructions.
2. To be valid, the Form of Proxy 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 (i.e. by 10.00 a.m. on 4 January 2011) 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.
3. Members who return the Form of Proxy will still be able to attend the Extraordinary General Meeting and vote in person if they so wish.

If you do not wish to attend the meeting please complete and return the form of proxy as soon as possible.

North American Banks Fund Limited

General Meeting to be held on 6 January 2011

Form of Proxy

(PLEASE USE BLOCK CAPITALS)

1/We, (name in full)

(BLOCK CAPITALS 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 General Meeting of the Company, to be held on 6 January 2011, on the following Resolution 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.

	Special Resolution	For	Against	Withheld
	To approve the cancellation of admission of the Company's ordinary shares to trading on the AIM market of London Stock Exchange plc			

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.**