

**10 December 2010**

**North American Banks Fund Limited**

**Proposed Cancellation of admission to trading on AIM**

The Board of North American Banks Fund Limited (the "Company") is today sending a Circular to Shareholders proposing the Cancellation of the admission of its Shares to trading on AIM.

The Circular includes a notice convening a 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 to seek approval for the proposed cancellation of the admission of the Ordinary Shares to trading.

Edited extracts from the Chairman's letter to Shareholders contained in the Circular are set out below:

**"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.

**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 USD38.0 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 USD16.61 million (equivalent to GBP10.64 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 GBP4.09 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).

### **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.

### **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 GBP1.60 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.

**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.

**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.”

--ENDS--

**Enquiries:**

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Definitions used herein have the same meanings as set out in the Circular. A copy of the Circular will be made available shortly on the Company's website at [www.northamericanbanksfund.co.uk](http://www.northamericanbanksfund.co.uk).