NEXGEN FINANCIAL SOLUTIONS

Nexgen Capital Limited

Annual Report 2005

CONTENTS

COMPANY PROFILE

Nexgen Capital Limited (NCL or the Company), an Irish incorporated company, is a subsidiary of Nexgen Re Limited and part of the Nexgen Financial Solutions Group (Nexgen or the Group).

The Group offers risk-based bespoke financial solutions to corporations, insurance companies, banks and other financial services organisations, and high net worth individuals, principally resident in Europe and Asia. The Group provides its clients with creative and robust solutions. It executes transactions as principal counterparty. The risks assumed by Nexgen are actively managed, hedged in the market place and supported by the capital base of the Company.

Nexgen Capital Limited undertakes capital market transactions. Its role within the Group is to act as a principal for client solutions involving financial instruments and to hedge or manage the resulting risks. The solutions offered include equity or credit derivative linked instruments designed to support mergers and acquisitions, treasury management, corporate finance, risk transfer, debt restructuring and private financing situations. Solutions may also include other derivative components. Nexgen Capital Limited also provides risk management services to the other Group companies.

NCL is authorised by the Financial Regulator[1] under the Investment Intermediaries Act, 1995. It is regulated in accordance with the EU Investment Services and Capital Adequacy directives and qualifies for the same risk weighting as a regulated bank.

(1) "Financial Regulator" is the trading name of the Irish Financial Services Regulatory Authority

DIRECTORS AND OTHER INFORMATION

Board of Directors as at 31 December 2005

Mr Peter Blessing	Non-Executive	Irish	Chairman
Mr Luc Giraud	Executive	French	
Mr Frank Monks	Executive	Irish	Managing Director
Mr Francois Robey	Executive	French	
Mr Ravi Viswanathan	Executive	French	

Company Secretary and Registered Office
Ms Nicola O'Connell
Ormonde House
12 Lower Leeson Street
Dublin 2
Ireland

Office Address
Ormonde House
12 Lower Leeson Street
Dublin 2
Ireland

Registered Number
336438

External Auditors
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Georges Quay
Dublin 2
Ireland

Internal Auditors
Deloitte
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Bankers
IXIS Investor Services
16-18, rue Berthollet
94113 ARCUEIL Cedex
France

BNP Paribas London
10 Harewood Avenue
London NW1 6AA
UK

SHAREHOLDING STRUCTURE

The shareholding structure of the Group as at 31 December 2005 is as follows:

	% Voting rights	No. Shares
Ordinary Shares		
IXIS Corporate & Investment Bank	38.70%	90,000,000
Temasek Holdings (Pte) Ltd	20.64%	48,000,000
G.K. Goh	15.05%	35,000,000
Athena	4.10%	9,523,810
Nexgen Employees	1.51%	3,500,000
Founders Shares		
Founders	20.00%	120,678
TOTAL	**100%**	**186,144,488**

IXIS Corporate & Investment Bank ('IXIS CIB') specialises in serving institutional investors, major issuers and corporations. It offers a range of high value-added financial services in each of its three main business lines, Capital Markets and Financing, Asset Management, and Banking and Securities Services.

Temasek Holdings (Pte) Ltd ("Temasek") is an Asian investment company headquartered in Singapore. It holds its investment in Nexgen through one of its wholly owned subsidiaries Fullerton (Private) Ltd. Temasek is ultimately owned by the government of Singapore.

G.K. Goh is a leading Asian investment services group founded in 1979 and headquartered in Singapore.

Athena is a private equity fund controlled by a conglomerate of Italian financial institutions.

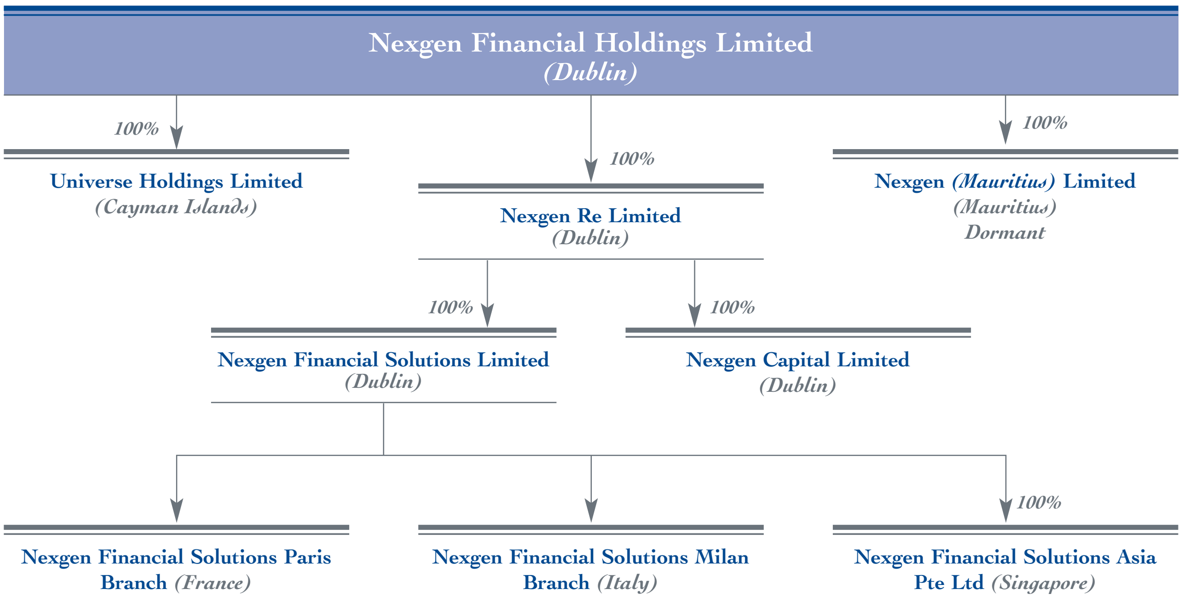
Acquisition of Nexgen by IXIS CIB

In November 2005, IXIS CIB has entered into conditional sale and purchase agreements with all of the other shareholders in the Nexgen Group to acquire all of their Ordinary and/or Founders Shares in the Group. The other shareholders have also agreed to waive and/or cancel all warrants held by them in the Group.

The effect of the agreements, when completed, is that IXIS CIB will acquire 100% of all capital interests in the Group, which will then become a wholly owned subsidiary of IXIS CIB.

It is anticipated that the sale, which is subject to the consent of the Financial Regulator in Ireland, will complete in the first quarter of 2006.

GROUP CORPORATE STRUCTURE



An intra-group re-organisation of the Nexgen Group is anticipated following the acquisition of Nexgen by IXIS CIB in 2006 (see Acquisition of Nexgen by IXIS CIB on page 3). The re-organisation will include a reduction of the share capital of the Company in accordance with applicable law.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Corporate governance

The Company is managed by the Board of Directors, the role of which is to ensure the effectiveness of the internal controls of the Company, to approve the entering into of transactions on behalf of NCL and to oversee NCL's compliance with the rules and regulations applicable to its business.

The Committees established at Group level supervise the business of the Company as necessary. These are:

The Executive Committee of the board of directors meets to consult on business issues and to maximise the Group's synergies with its shareholders. It also has a role in determining the remuneration of members of the Transaction Committee and certain other key executives.

The Management Committee is responsible for running the day-to-day operation of the Group and is comprised of the Group Chief Executive Officers, the Group Chief Operating Officer and the Group Chief Finance Officer.

The Transaction Committee reviews all proposed client structured transactions at Group level.

The Screening Committee approves proposed counterparties (including clients, market counterparties and intermediaries) to ensure, as far as possible, that Nexgen is not exposed to regulatory or reputational risk in its dealings with such counterparties.

The Audit Committee of the board of directors reviews the financial information and risk management policies of the Group, assesses the adequacy of the Group's operating and internal accounting controls and the quality of its internal and external auditors. It monitors the Group's corporate governance and compliance procedures. Deloitte assist the Audit Committee in the execution of the internal audit function.

The Research Committee reviews the models used by the Group for risk management and valuation. It is composed of an independent director, a representative of IXIS CIB and Nexgen research staff.

A Risk Controller, nominated by IXIS CIB, supervises the risk management process and monitors compliance with all risk limits. The Risk Controller reports directly to the board of directors of Nexgen Financial Holdings Limited.

Risk Management principles

Nexgen's business model is based on its ability to realise value efficiently and durably from the solutions implemented for its clients. Nexgen has the financial and organisational ability to act as principal, sharing risk and/or acquiring risk from the client. The business model relies on the continuous implementation of a rigorous risk management and valuation process.

Nexgen's risk management policy is designed to eliminate as much risk as possible from principal transactions it has entered into. Broadly this is done either through dynamic delta hedging where possible, or through statistical diversification. A proprietary valuation and reporting system measures the risks of any type of structure, whatever the underlying instrument, allowing them to be effectively hedged.

Proposed financial solutions are individually approved. Present and anticipated risks are vigorously analysed and deliberated prior to the decision to enter into any transaction.

For hedgeable risks (i.e. those that can be traded on a market) consideration is given to how such risks can effectively be hedged, in the light of the forecast hedging activity and liquidity of the underlying market.

Counterparty credit risk and concentration risks are mitigated through the use of credit cushions, margin calls, periodic or market price triggered resets in contracts, and/or the taking of collateral in the context of client transactions. In addition, manufactured protection, credit default swaps, guarantees and special purpose entity (SPE) structures may be used.

Many of Nexgen's clients are not rated. Accordingly, an internal credit rating system is used to calculate objective default probabilities, recoveries and credit spreads for each counterparty (i.e. clients and market counterparties). Individual and global limits, based on rating classes and transaction maturities, are assigned to counterparties.

Other factors taken into account during this proposal process include the size of individual risks within Nexgen's diversification objectives, the availability of adequate sources of funding and the identification, minimisation and acceptability of non-financial risks.

In order to employ its capital more efficiently, Nexgen uses its expertise in identifying and managing risks to enter into proprietary transactions, where the risk/return parameters are comparable to those obtained in structures it would have entered into with clients.

After the execution and initial hedging of the principal transactions, resulting risks are managed and controlled within a system of limits.

The fundamental core of this system is Value at Risk (VaR) measurements against which global limits have been allocated. The Group currently tracks a Market VaR, a Reinsurance VaR and two credit VaR measures (for CDO/CDS activities).

Definition	Confidence interval	Time Horizon	Limit (USD m)
Market VaR	99%	10 days	10
Reinsurance VaR	99%	maturity	30
Credit VaR - spread movement	99%	90 days	10
Credit VaR - jump to default	99%	90 days	35

Within this global framework identifiable risks (Equity, Interest Rate, FX, Volatility, Correlation, Credit, etc) are placed under a set of sub-limits. Sensitivities for hedgeable risks and stress tests for diversifiable risks are closely monitored.

The Board of Directors approves the various limits mentioned above.

The Risk Management unit monitors the risks and executes the market transactions required to keep them within the limits.

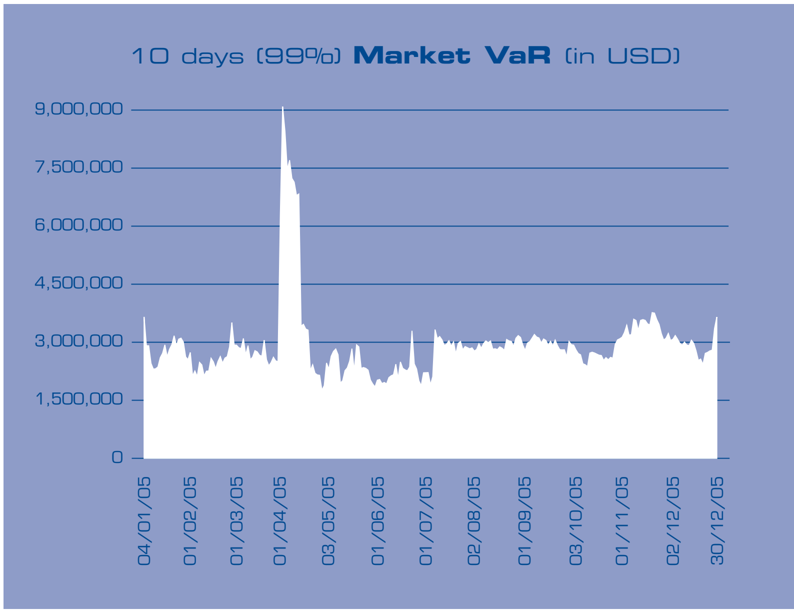
The Risk and Result Reporting unit is responsible for monitoring the limits and producing P&L analyses.

The Risk Controller continuously monitors compliance with the limits and adherence to the risk management process.

FINANCIAL RISKS

Capital Markets Risks

Value-at-Risk (VaR) estimates the potential decline in the value of a position or a portfolio over a ten-day holding period, at a 99% confidence level. The VaR indicator incorporates the sensitivities of the trading portfolio with the volatilities and correlations of those factors. As at 31 December 2005, the market VaR amounted to \$3.7m (31 December 2004: \$2.9m) compared to an internal limit of \$10m. The maximum VaR indicator over the period was \$9.1m.



Credit Risk (excluding Credit Derivatives)

The Company measures its credit risk exposures using a Loss Given Default methodology.

Loss Given Default is computed, assuming an immediate default of the counterparty, as the difference between the cash left after the default occurrence and the value of the transaction and its hedge as shown in Nexgen records before the default. The loss is conservatively estimated as market conditions are stressed depending on the relationship between the counterparty and the underlying.

Credit Risk - Credit Derivatives

The Structured Credit / CDO portfolio is mainly built around mezzanine pieces. There are no remote exposures through super-senior tranches. In aggregate, the positions arising from equity pieces and mezzanine pieces are hedged with credit default swaps. All exposures are monitored daily and hedges are adjusted based on movements in spreads and correlations within the CDO reference obligation pool. Hedge quantity is calculated using internal models based on market accepted modelling techniques. The global portfolio position is protected against extreme scenarios where spreads either tighten or widen abruptly.

Two VaR indicators are used to monitor this activity. The Default VaR captures the impact of unexpected immediate defaults on the Company P&L. Defaults are simulated using probabilities of default implied from credit default swap spreads and correlations between underlying names implied from equity markets. The Credit Spreads VaR captures the impact of adverse credit market spreads behaviour on the Company P&L. Spread variations are simulated using both historical volatilities and correlations. Both indicators are measured over a 90 day holding period, at a 99% confidence level and are subject to independent limits. At 31 December 2005, the corresponding figures for NCL were:

VaR Default $15.8m (Group limit: $35m) (2004 $17m (Group limit $30m))
VaR Spreads $0.46m (Group limit: $10m) (2004: $0.25m (Group limit $10m))

Further detailed quantitative indicators of this portfolio are shown in the tables below. The positions are measured by a pricing model the main components of which are detailed in Accounting policies, Note 1 to the Financial Statements.

Hedge Ratio Analysis

	31 December 2005	31 December 2004
Sum of Long delta ($'000)	197,300	39,900
Sum of Short delta ($'000)	(162,000)	(118,600)
Net delta ($'000)	35,300	(78,700)
Sensitivity to +1bp CDS Spreads ($'000)	17.65	(39.35)

Delta is the equivalent nominal of a CDS in individual names to be bought (for long delta positions) or sold (for short delta positions) should Nexgen decide to hedge the net underlying open exposure. A long delta position is the equivalent of a long position in the underlying bond i.e. a protection / CDS sold. The figures above are expressed in 5 year CDS equivalents. In practice, the Group manages its credit positions using a bucket term structure (1,2,3,4,5,7 years).

OPERATIONAL RISK

Due to the nature of Nexgen's business, control of operational risk is a fundamental issue. The basic principle implemented to achieve this control is to unbundle the various embedded risks and components of a principal transaction in such a way that specialised operational units, which are independent of the structuring and trading teams, can manage them.

A number of procedures have been implemented to ensure coordination between the various teams, including:

- Involvement of operational specialists in the structuring and approval phase, to verify Nexgen's capacity to manage the approved transactions,
- Recourse to specialist external advice, and
- Tight coordination and cross checking when finalising documentation and executing transactions.

An important element of this control is having one common information system, from conception to reporting, with no dual input, combined with the capacity to access multi-dimensional views of the same transaction without sacrificing the integrity of the information. This system reinforces the efficiency of the segregation of duties and cross control procedures.

A constant effort is made to use standard, proven and reliable concepts and tools in the execution of transactions and management of the business risks. Standard market documentation, models relying on widely accepted financial theories and external software tools are used as appropriate.

Each Company location uses the same technology and infrastructure and the data is mirrored to provide quick recovery solutions to any site knocked out by a disaster.

LEGAL AND REPUTATIONAL RISK

Nexgen is involved in complex and innovative transactions. As such the Group minimises the potential legal and reputational risks by taking various steps, including the following:

- the Screening Committee reviews each prospective counterparty and connected intermediaries from a reputational and "Know Your Customer" perspective, at the pre-transaction stage,
- Management seek to satisfy themselves that transactions are structured to serve legitimate purposes of clients and that those clients are acting in accordance with local regulations and standard practices,
- special attention is also given to their compliance with local rules and regulations, and prominent local law firms are systematically used to verify such compliance when structuring transactions.

The directors submit herewith their annual report together with the audited financial statements of Nexgen Capital Limited for the year ended 31 December 2005. The comparative figures are for the year to 31 December 2004.

2005 ACTIVITY

Income Generation

The Company's trading income in 2005 was $25.3m (2004: $44.7m).

The **Capital Markets** activities generated a slightly larger level of trading income than in 2004 (2005: $38m, 2004: $36.6m), originated principally in Europe (2/3, mainly France and Italy) and South East Asia (1/3). Transactions were mostly entered into with large corporate clients and some very high net worth individuals. Techniques used in the structuring of such transactions continued to involve derivatives (swaps and options) on single stocks and various credit risk mitigating techniques where necessary. However credit derivative based techniques were a more common feature of the Company's transactions in 2005. Most of the transactions Nexgen structured for clients were of a private nature protected by established confidentiality rules.

The Company entered into about 33 transactions during the year, including restructurings and the early unwind of a number of existing transactions.

This sustained activity was continuously supported by our main shareholder, IXIS CIB. Nexgen continued to develop its relationship with the Lazard Group within the framework of the cooperation arrangement signed at the end of 2003 to jointly provide corporate clients in major European markets with structured capital market, derivative and reinsurance financing and risk management solutions.

Activity in **CDO/credit derivative** transactions was lower than in previous years. Some of the previously issued structures were bought back. This activity experienced adverse movement in credit spreads in the first part of the year resulting in decoupling implied and historical correlations observed in the markets. A valuation reserve was created to reflect the structure of implied correlations as compared to that of the historical correlations used in the management of the portfolio. The result of this activity for the year is a loss of $(15.8)m (2004; profit of $11.7m).

General and resources

Staff numbers remained stable in 2005, at 8 (2004: 8)

There was no change to the Group's organisation during the year (refer to Organisation chart on page 4).

The network of derivative and financing lines with various international financial institutions put in place in 2003 and 2004 was consolidated. This and the strength of the Group's relationship with its main shareholder puts NCL in a position to be financially responsive to its clients' requirements.

Corporate governance and risk management

There was no major change to the Corporate and Risk management framework. The Screening Committee (pre-approval of possible clients and counterparties) and the Transaction Committee (individual approval of transactions) met regularly. The regular review of systems and procedures conducted under the supervision of the Audit Committee did not raise any critical control issues.

More detailed risk measures are listed on pages 6-9 of this report.

Results for the year and state of affairs at 31 December 2005

Nexgen Capital's positions are valued daily on a fair value basis whenever possible. The valuation is measured against each risk incurred and variations are explained through an income attribution analysis, by reference to the actual risks being managed. The risk management systems and procedures have performed satisfactorily during the year.

The net trading income for 2005 was $25.3m (2004: $44.7m).

Most of the income ($38m) was derived from capital market client transactions (2004: $36.6m). In the light of the worsening circumstances during the year, the Directors have written off the full value of the Exchangeable Bond acquired in December 2002, which defaulted in 2004, so that a total loss on the bond is recognised. The 2005 charge is $2.7m (2004: $8m).

The contribution of CDO activity is $(15.8)m (2004: $11.7m).

The contribution of proprietary transactions was NIL (2004: $0.26m) and "residual positions' management" was $1.1m (2004: $2.1m).

Remuneration of Own Funds (computed at a rate based on 3 month LIBOR) was $5.6m (2004: $2.9m). The increase is due to higher interest rates in 2005.

Operating expenses rose to $19.1m (2004: $17.4m). This increase primarily results from the increase in NCL's marketing fee charges from group companies.

Taxation was $0.9m (2004: $3.7m). The average rate of tax was 14% (2004:13.5%).

The net profit after tax for the year was $5.4m compared to $23.7m for the year 2004.

A dividend of $5m (2004: $6m) was paid to Nexgen Re, the parent company of NCL.

Balance sheet

The total assets increased by 45% over the year to $1,384m (31 December 2004: $956m).

This growth reflects the development of the business and was spread over the various lines of the balance sheet. There was no significant change in the structure of the Group balance sheet.

Shareholders funds at 31 December 2005 were $141.3m compared to $140.9m at the end of 2004. This is due to the profit for the year, reduced by the dividend paid to Nexgen Re.

OUTLOOK FOR 2006

IXIS CIB has, conditionally, agreed to acquire all the shares and other capital interests held by the other shareholders in the Group (see Acquisition of Nexgen by IXIS CIB on page 3). Subject to the approval of the Financial Regulator, the transaction should be completed before the end of the first quarter 2006.

During the year Nexgen Group developed closer business links with IXIS CIB. Larger transactions have been structured in cooperation with them. IXIS CIB has stated that the acquisition of the Group will further expand its service offering within France and abroad. This will give Nexgen group access to greater funding, thereby aiding the quality of the transactions which it may offer its client base.

The Group intends to apply accounting policies in accordance with International Financial Reporting Standards as adopted by the EU from 1st January 2006. This should not result in major changes to the various financial aggregates. As part of this process the Group has determined its functional currency to be the Euro. From 2006 its financial risks will be managed on this basis and its Financial Statements presented in Euro.

DIRECTORS

The names of the persons who were directors at any time during the year ended 31 December 2005 are set out on page 2. The directors served for the entire year.

Directors' and secretary's interests

The directors had no direct interest in Nexgen Capital Limited. The beneficial interests of the directors and the company secretary, in office at 31 December 2005, in the ordinary share capital of Nexgen Financial Holdings Limited, the Company's ultimate parent, at 31 December 2005 and 31 December 2004 were as follows:

	Number of shares			
	31 December 2005		31 December 2004	
Luc Giraud	764,750	Ordinary shares	764,750	Ordinary shares
	15,240	Founders shares	15,240	Founders shares
Ravi Viswanathan	764,750	Ordinary shares	764,750	Ordinary shares
	15,240	Founders shares	15,240	Founders shares
Francois Robey	420,000	Ordinary shares	420,000	Ordinary shares
	9,496	Founders shares	9,496	Founders shares
Frank Monks	–	Ordinary shares	–	Ordinary shares
	1,800	Founders shares	1,500	Founders shares
Nicola O'Connell (Company Secretary)	400	Founders shares	–	

In addition, as at 31 December 2005, the directors listed below held the following warrants to subscribe for ordinary shares in Nexgen Financial Holdings Limited.

	Number of Warrants		
	Number	Maturity date	Subscription price
Luc Giraud	771,731	11th December 2009	USD 1.50
	1,441,778	11th December 2009	USD 2.50
Ravi Viswanathan	771,731	11th December 2009	USD 1.50
	1,441,778	11th December 2009	USD 2.50
Francois Robey	480,864	11th December 2009	USD 1.50
	898,367	11th December 2009	USD 2.50
Frank Monks	75,958	11th December 2009	USD 1.50
	141,907	11th December 2009	USD 2.50

All warrants held as at 31 December, 2005 will be cancelled on completion of the sale of Nexgen to IXIS CIB (see Acquisition of Nexgen by IXIS CIB on page 3).

As part of the sale and purchase agreement entered into with IXIS CIB, the directors listed above agreed to waive their right to exercise additional warrants held by them (as at 31 December, 2004) to subscribe for ordinary shares in the Company. Such warrants had a maturity date of 1st December, 2005 and, therefore, as at 31 December, 2005, all such additional warrants had lapsed.

None of the other directors held other interests in any Group undertaking at 31 December 2005.

Political Donations
There were no political contributions which require disclosure under the Electoral Act 1997.

Subsequent Events
There were no significant events affecting the Company since the end of the financial year.

Employee Health and Safety
The welfare of the Company's employees is safeguarded through adherence to the Safety, Health and Welfare at Work Act, 2005.

Books of Account
The directors comply with the Company's obligation to keep proper books of account by using appropriate systems and procedures and employment of competent persons. The books of account are kept at the following address:

Ormonde House
12 Lower Leeson Street
Dublin 2
Ireland

Auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office under Section 160 of the Companies Act, 1963.

On behalf of the board

Luc Giraud

Ravi Viswanathan

DIRECTORS' RESPONSIBILITY STATEMENT

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- Select suitable accounting polices and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Companies Acts, 1963 to 2005. 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.

On behalf of the board

Luc Giraud

Ravi Viswanathan

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS
OF NEXGEN CAPITAL LIMITED

We have audited the financial statements (the "financial statements") on pages 18 to 29. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 20 to 22.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 15.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Company Profile, Corporate Governance and Risk Management, Directors' Report and Directors' Responsibility Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2005.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 10 to 14 is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet on page 19 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2005 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

24 February 2006

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Trading income	2	25,329	44,717
Intercompany service income	4	98	118
		25,427	44,835
Operating expenses	3	(19,065)	(17,390)
Profit on ordinary activities before taxation		6,362	27,445
Taxation	5	(917)	(3,700)
Profit for the financial year after taxation		5 445	23,745
Dividend paid to parent company	19	(5,000)	(6,000)
Retained profit for the financial year		445	17,745
Balance at beginning of year		20,875	3,130
Balance at end of year		**21,320**	**20,875**

The above results relate exclusively to continuing operations. There are no recognised gains or losses other than those dealt with in the profit and loss account.

On behalf of the board


Luc Giraud


Ravi Viswanathan

BALANCE SHEET

	Notes	31 December 2005 USD'000	31 December 2004 USD'000
Assets			
Cash at bank and in hand		106	67,298
Deposits with financial institutions	7	187,065	192,195
Trading securities - long positions	8	685,071	484,882
Derivative financial instruments - long positions	9	511,084	211,627
Debtors	10	715	179
Tangible fixed assets	6	–	–
Total Assets		1,384,041	956,181
Liabilities			
Trading securities - short positions	11	257,926	257,324
Derivative financial instruments - short positions	12	253,239	126,218
Loans from financial institutions	13	566,307	276,315
Creditors	14	2,447	15,990
Debt Securities in issue	15	162,802	139,459
Total Liabilities		1,242,721	815,306
Net Assets		**141,320**	**140,875**
Capital and reserves			
Called up share capital	16	–	–
Capital contribution	17	120,000	120,000
Profit and loss account		21,320	20,875
Equity shareholders' funds	18	**141,320**	**140,875**

On behalf of the board

Luc Giraud

Ravi Viswanathan

1 | Accounting Policies

The significant accounting policies adopted by the Company are as follows:

Basis of accounting

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The basis for accounting is the historic cost convention as modified by the inclusion of trading assets, liabilities and derivative instruments arising under structured finance and investment transactions, at valuation (i.e. the amount at which an asset (liability) can be bought or sold in a current transaction between willing parties motivated by normal business considerations). Most of the assets and liabilities of the Company consist of trading securities and derivative instruments related to structured finance and investment transactions.

Financial statements

In order to present a true and fair view of the state of affairs of the Company, the directors believe that the following departures from the format and historic cost rules set out in the Schedule to Companies (Amendment) Act 1986 are appropriate because of the special nature of the Company's business.

(i) Turnover, cost of sales and gross profit have no meaningful equivalents in the Company's business and are therefore not shown in the Profit and Loss Account.

(ii) All trading assets, liabilities and derivative instruments are valued by reference to market prices prevailing at the balance sheet date (see below).

(iii) Dividends and interest receivable arising on trading assets, together with interest payable on trading liabilities are reflected in the market values of these assets and liabilities and are, therefore included in operating income and are not identified separately.

The directors believe that the accounting treatment described above provides a fair reflection of the substance of these transactions. It is not practicable to quantify the effect on the accounts of the above departure, as information on the difference between original cost and market value, being of no continuing relevance to the business, is not maintained.

Income recognition

Income is recognised on a fair value basis, making due allowance for the costs associated with the transaction.

Structured transactions

Trading securities positions, liabilities and derivative instruments arising from structured transactions are valued at market prices or at fair value, using industry standard valuation principles as set out below. Movements in fair value are recognised in the Profit and Loss Account as operating profits and losses as they arise.

Fair values of trading securities are based on quoted market prices assuming current market conditions and an orderly disposition over a reasonable period of time.

Fair values of over-the-counter (OTC) derivative financial instruments represent the net present value of amounts expected to be received from or paid to a third party in settlement of these instruments.

Fair value

The Company derives fair value from the initial and continuing marking-to-market (or model) of positions using either observable market prices or, where not directly available, models based on widely-accepted financial theories and market practices applied to observable inputs.

Trading assets are valued at the mid-market price and adjustments are made for bid-offer spreads on the aggregate position including offsetting positions. All actively traded instruments or all elements of customer transactions that can be readily decomposed into traded instruments are valued using quoted valuation parameters. Quoted valuation parameters are directly observed on the market as the market prices of reference traded assets or instruments. Where market prices are not available for some elements, those elements are marked-to-model using derived valuation parameters estimated from quoted valuation parameters or calculated from historical economic indicators (e.g. dividends, volatilities).

The models used to perform the above valuations (and compute sensitivities to various risk factors) are summarised below:

- *Interest Rate Model:* Exposure to general interest rate risk arises mainly from customers transactions. To value these positions a discount curve is extracted and applied with individual constant instantaneous forward rates derived from quoted interbank and swap rates.
- *Equity derivatives pricing Model:* Nexgen uses a generalised version of the Black-Scholes model. The forecasted underlying volatility is generally estimated by the historical volatility.
- *Credit Pricing:*

(a) Models: For instruments, the value of which is dependent upon credit exposure, the following bases are used: For single name exposures Nexgen uses reduced form models with probability of default and recovery rates being determined as explained below. For multi-name environments, the modelling approach is to correlate the distribution of defaults using statistical distribution methods and the probability of default is assessed based on a name's credit margin. The credit margin is based on credit-default swap spreads or option-adjusted asset-swap spreads for that same name or, if not available, a similar one and the assumption of a recovery rate for the instrument on which the credit margin is calculated. In case of unavailability of appropriate market data these parameters may be adjusted using models and published default statistics from reputable rating agencies.

(b) Recovery, probability of default and correlation. The calculation of an expected recovery rate is based on the assessment of historical data provided by reputable rating agencies. Nexgen's assessment incorporates two major elements: 1) the assumption of the average recovery rate for senior unsecured debt instruments in the respective country of domicile of the name, 2) the assumption of the average recovery rate for the respective industry in which the name operates. An additional recovery rate adjustment is made where deemed necessary

The probability of default is assessed based on a name's credit margin and the assumption of a recovery rate for the instrument on which the credit margin is calculated. The credit margin is based on Credit-Default Swap spreads or option-adjusted Asset-Swap spreads (bond spreads) for that same name (or comparable names, if not available), for the same or similar maturities, comparable asset classes and same underlying credit events.

In all valuations, adjustments are made in respect of expected costs as follows:

- *Funding adjustments* are defined as the costs to the Company due to an expected funding spread over LIBOR.
- *Hedging adjustments* are defined as the transaction costs required either to rebalance the hedging portfolio or to hold the portfolio. They are modelled by associating a forecasted cost to each elementary hedging transaction, given a defined hedging strategy.
- *Credit Risk adjustments* are defined as the costs for protecting an exposure or a stream of exposures against default.
- *Bid-Ask for early liquidation* – Should the above components of fair value not fully reflect the price at which a transaction (or portfolio) could be liquidated in the normal course of business, based on market conditions existing at the balance sheet date, a further adjustment is required. The transaction (or portfolio as applicable) valuation is therefore adjusted to ensure the reported fair value reflects observed bid-ask spreads for all significant components of a transaction (or portfolio).

Price adjustments specific to CDOs:

- *Bid-Ask Spread, Correlation and Recovery Rate* adjustments cover the cost of transacting with a market-maker on its bid-ask quotes in order to transfer the whole portfolio and its delta hedge, the uncertainty on the assumed level of correlations and the uncertainty on the assessment of recovery rates.

Foreign currencies

Monetary assets, liabilities and commitments denominated in other currencies are reported at the rates of exchange or forward rates prevailing at the reporting date. Gains or losses arising from changes in exchange rates are included in the profit and loss account. Revenue, costs and non-monetary assets are translated at the exchange rates ruling at the dates of the transaction.

Taxation

Corporation tax is provided on taxable profits based on the year to date profit in USD, converted at the average rate of USD/EUR for the year.

Pension costs

Employees may be members either of the Group pension plan or of a personal pension plan. The Group pension plan is a defined contribution scheme. The Group contributes directly to the appropriate pension plan.

The amount charged to the profit and loss account in respect of pension costs is the sum of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provisions for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office Equipment	3 years

2 | Trading income

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Analysed by origin:		
- client transactions	37,998	36,579
- credit charge on client transaction	(2,738)	(8,000)
- CDO transactions	(15,838)	11,694
- proprietary positions	–	264
- residual positions management	1,127	2,062
- remuneration of Own Funds	5,597	2,919
Professional fees, relating to deals	(817)	(801)
	25,329	44,717

3 | Operating expenses

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Operating expenses comprise:		
Staff costs	1,026	947
Auditor's remuneration	55	53
Depreciation	–	2
Intercompany service expenses (see note 4)	17,569	16,117
Other administrative expenses		
- Professional fees	192	39
- Non Executive directors fees	27	22
- Other administrative fees	196	210
	19,065	17,390
Staff costs comprise:		
Wages and salaries	695	639
Social welfare costs	184	167
Pension costs	61	55
Other staff costs	86	86
	1,026	947

Fees for directors' services and auditors' remuneration are paid by Nexgen Re Limited and recharged to the Company.

The average number of persons employed by the Company during the year 2005 was 8 (2004:8), of which 3 are seconded.

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Directors' emoluments	460	408

Directors' emoluments are paid by Nexgen Re Limited on behalf of NCL and are recharged back to the Company.

4 | Intercompany Service Income/Expenses

Intercompany service income represents billing to other group companies for risk management and marketing services.

Intercompany service expenses represent billing by other group companies for services rendered or staff seconded to the Company. Intercompany services are billed at cost plus a margin, and allocated based on income generated on new transactions, management of existing transactions and a percentage representing the additional administration costs. Seconded personnel costs are based on remuneration plus a percentage representing the cost of various benefits.

5 | Taxation

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Corporation tax for the year	917	3,700
	917	3,700
Effective tax rate	14.4%	13.5%

The reconciliation of current tax on profit on ordinary activities at the standard Irish corporation tax rate to the Company's actual current tax charge for the year ended 31 December 2005 is shown as follows:

	2005 USD'000	2004 USD'000
Profit on ordinary activities before taxation	6,362	27,445
Profit on ordinary activities multiplied by the standard rate of corporation tax in Ireland of 12.5% (2004: 12.5%)	795	3,431
Effects of:		
Disallowed expenses	(12)	1
Dividend withholding tax deduction	–	(12)
Average EUR/USD fx rate used in Irish tax computation	–	322
Adjustment relating to previous years	134	(42)
Current tax charge for the year	917	3,700

6 | Tangible fixed assets

	Office Equipment USD '000	Total USD '000
Cost		
At 31 December 2004	5	5
Additions	–	–
At 31 December 2005	5	5
Accumulated Depreciation		
At 31 December 2004	5	5
Charge for the year	–	–
At 31 December 2005	5	5
Net Book Value		
At 31 December 2004	–	–
At 31 December 2005	–	–

7 | Deposits

	31 December 2005 USD'000	31 December 2004 USD'000
Amounts falling due within one year		
- deposits with group undertakings	–	–
- collateralised deposits with financial institutions	187,065	192,195
	187,065	192,195

8 | Trading securities – long positions

	31 December 2005 USD'000	31 December 2004 USD'000
Shares		
- listed	157,824	175,528
Bonds and convertibles		
- listed and/or indexed to listed shares	330,212	253,988
- collateralised debt obligations	79,982	34,302
- unlisted corporate bonds	117,053	19,622
- government bonds	–	1,442
	685,071	484,882

9 | Derivative financial instruments – long positions

	31 December 2005 USD'000	31 December 2004 USD'000
Analysed by:		
Category of counterparty:		
- financial institutions	170,602	42,625
- other institutions	340,482	169,002
	511,084	211,627
Analysed by maturity:		
Less than 1 year	63,869	36,314
Between 1 and 5 years	415,267	158,604
Greater than 5 years	31,948	16,709
	511,084	211,627

The maturity analysis is classified according to the final agreement date and not to reset date. Note 24 to the Financial Statements provides further analysis of the derivative financial instruments by instrument type.

10 | Debtors – amounts falling due within one year

	31 December 2005 USD'000	31 December 2004 USD'000
Corporation Tax recoverable	255	–
Other debtors	157	169
Prepayments	303	10
	715	179

11 | Trading securities – short positions

	31 December 2005 USD'000	31 December 2004 USD'000
Shares		
- listed	243,334	253,918
Bonds and convertibles		
- government bonds	–	1,442
Sold listed options	14,592	1,964
	257,926	257,324

12 | Derivative financial instruments – short positions

	31 December 2005 USD'000	31 December 2004 USD'000
Analysed by:		
Category of counterparty:		
- financial institutions	144,826	27,716
- other institutions	108,413	98,502
	253,239	126,218
Analysed by maturity:		
Less than 1 year	55,465	63,931
Between 1 and 5 years	183,747	60,560
Greater than 5 years	14,027	1,727
	253,239	126,218

The maturity analysis is classified according to the final agreement date and not to reset date. Note 24 to the Financial Statements provides further analysis of the derivative financial instruments by instrument type.

13 | Loans

	31 December 2005 USD'000	31 December 2004 USD'000
Amounts falling due within one year:		
- amounts due to group undertakings	63,078	44,048
- amounts due to financial institutions	123,824	40,696
- liabilities collaterised by securities	379,405	191,571
	566,307	276,315

14 | Creditors - amounts falling due within one year

	31 December 2005 USD'000	31 December 2004 USD'000
Amounts due to group undertakings	750	7,753
Accruals and deferred income	1,697	6,088
Corporation tax	–	2,149
	2,447	15,990

15 | Debt securities in issue

	31 December 2005 USD'000	31 December 2004 USD'000
Debt securities in issue repayable:		
over two years but not more than five years	162,802	139,459

Debt securities in issue at 31st December 2005 are notes linked to listed equities.

16 | Share capital

	31 December 2005 USD	31 December 2004 USD
Authorised:		
1,000 ordinary shares of USD 1 each	1,000	1,000
Allotted, called up and fully paid:		
One ordinary share of USD 1	1	1
	1	1

17 | Capital contribution

	31 December 2005 USD'000	31 December 2004 USD'000
Capital contribution	120,000	120,000
	120,000	120,000

18 | Reconciliation of movement in equity shareholders' funds

	31 December 2005 USD'000	31 December 2004 USD'000
Opening shareholders' funds	140,875	103,130
Capital contributions received	–	20,000
Profit retained for year	5,445	23,745
Dividend to NRL	(5,000)	(6,000)
Closing shareholders' funds	141,230	140,875

19 | Dividends

	31 December 2005 USD'000	31 December 2004 USD'000
Declared, not yet paid		
Interim Dividend of $5,000,000 per share (2004; $6m)	5,000	6,000

20 | Cash Flow Statement

The ultimate parent company, Nexgen Financial Holdings Limited prepares consolidated financial statements, which are publicly available, that include a consolidated cash flow statement. Consequently the Company is exempt under the terms of the Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

21 | Transactions with Related Parties

Transactions with other entities within the group are not disclosed as the Company has taken advantage of the exemption available under FRS 8 (Related Party Transactions), on the basis that the consolidated financial statements of Nexgen Financial Holdings Limited are publicly available.

22 | Parent Undertaking

The Company's immediate parent undertaking is Nexgen Re Limited, a company incorporated in Ireland. The Company's ultimate parent undertaking is Nexgen Financial Holdings Limited, a company incorporated in Ireland. Nexgen Financial Holdings Limited is the only group company for which group financial statements are prepared. Copies of the financial statements of Nexgen Financial Holdings Limited are available from the company secretary at Ormonde House, 12 Lower Leeson Street, Dublin 2.

23 | Commitments and Guarantees

There were no commitments or guarantees of the Company at 31 December 2005.

24 | Financial Instruments and Financial Risks

Dealing in off balance sheet instruments forms a fundamental part of the Company's activities. Accordingly, the Company has a number of interest rate swaps, equity swaps, equity forwards, equity options, equity index futures and foreign exchange spot and forward contracts at 31 December 2005. Gains and losses arising on marking these financial instruments to market are included in trading profits in accordance with the Company's accounting policies.

The notional amounts and fair value amounts of the contracts are shown below:

	31 December 2005			31 December 2004		
Financial instruments	Notional Amount USD'000	Fair Value Asset USD'000	Fair Value Liability USD'000	Notional Amount USD'000	Fair Value Asset USD'000	Fair Value Liability USD'000
Interest rate contracts	1,465,119	8,413	23,455	537,253	1,352	4,236
Foreign Exchange contracts	325,615	1,333	13,814	157,366	471	998
Equity contracts	2,175,313	400,203	149,160	859,191	170,451	92,608
Credit Derivative contracts	12,735,726	101,135	66,810	7,694,700	39,353	28,376
Total contracts	16,701,773	511,084	253,239	9,248,510	211,627	126,218

Note: The notional amount for credit derivative contracts excludes intercompany amounts with Nexgen Re of $3,873.5m gross (2004: $2,577.6m) or $244.5m net (2004: $224.6m).

25 | Approval of Financial Statements

The directors approved the financial statements on 24 February 2006.

Nexgen Group is a subsidiary company of:

IXIS
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GROUPE CAISSE D'EPARGNE

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