NEXGEN FINANCIAL SOLUTIONS

Nexgen Re Limited

Annual Report 2005

CONTENTS

COMPANY PROFILE

Nexgen Re Limited ("NRL" or "the Company") is an Irish-incorporated reinsurance company authorised by the Financial Regulator[1] to conduct re-insurance business and is part of the Nexgen Financial Solutions Group ("Nexgen" or "the Group").

Nexgen offers risk based tailor-made 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 Group.

NRL underwrites Nexgen's reinsurance business, which comprises structured transactions for insurance or reinsurance companies or captives, helping these organisations to meet efficient risk transfer or capital allocation objectives. Some of the underwritten risks may include property catastrophe exposure and credit exposure. NRL also participates in transactions transferring insurance risk into the capital markets through securitisation. NRL provides the finance and corporate services for the Group.

Transactions entered into by NRL are sourced and structured by Nexgen Financial Solutions Limited ("NFSL"), an Irish incorporated company authorised by Financial Regulator under the Investment Intermediaries Act, 1995.

(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 Anthony Orsatelli	Non-Executive	French	Chairman
Mr Tay Siew Choon	Non-Executive	Singaporean	Co-chairman (1)
Mr Peter Blessing	Non-Executive	Irish	(2)
Mr Etienne Bur	Non-Executive	French	Chairman Executive Committee (1)
Mr John Donnelly	Non-Executive	Irish	Chairman Audit Committee (2)
Mr Luc Giraud	Executive	French	Joint Chief Executive Officer (1)
Prof Annie Koh	Non-Executive	Singaporean	(2)
Mr Goh Yew Lin	Non-Executive	Singaporean	
Mr Victor Liew	Non-Executive	Singaporean	
Mr André Rolland	Non-Executive	French	
Mr Lee Ming San	Non-Executive	Malaysian	(1) (2)
Prof Marti Subrahmanyam	Non-Executive	US/Indian	(2)
Mr Ravi Viswanathan	Executive	French	Joint Chief Executive Officer (1)

(1) Member of the Executive Committee of the board
(2) Member of the Audit Committee of the board

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
336440

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.

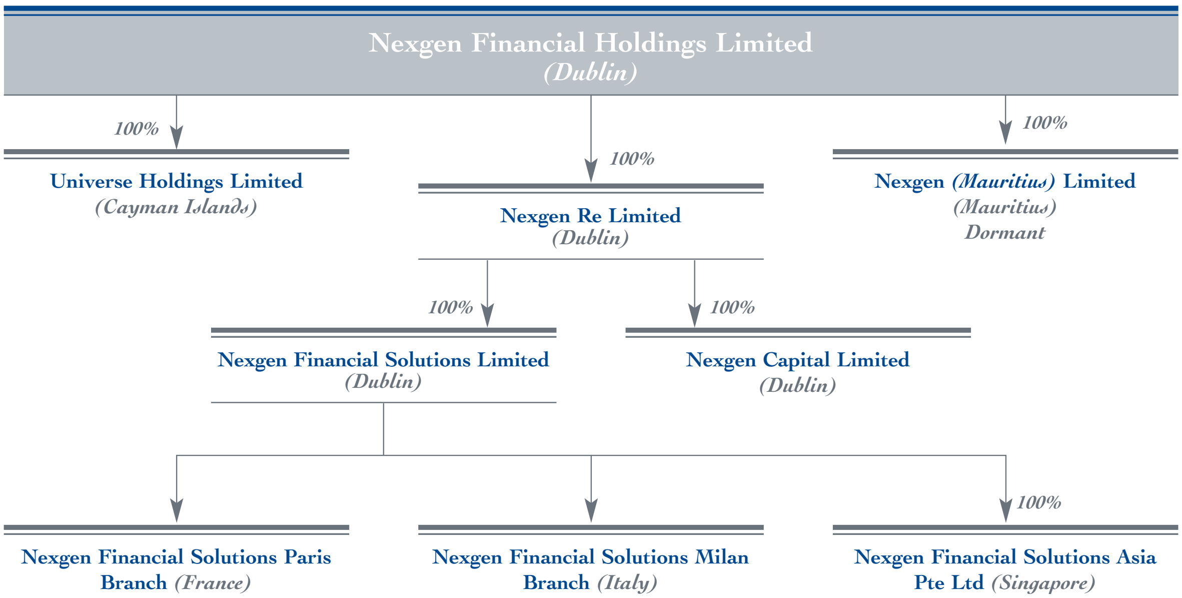
Acquisition of Nexgen by IXIS CIB

In November 2005, IXIS CIB has entered into conditional sale and purchase agreements with all of the other shareholders in the 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 main institutional shareholders and the founders of the Nexgen Group have entered into a 'Shareholders Agreement', which regulates the business to be undertaken by the Group and stipulates a number of governance rules to be applied in the conduct of its business. These provisions mainly relate to the level of board and/or shareholder consent required for certain decisions, the composition and powers of a number of Committees, the allotment and transfer of shares, the dividend distribution policy and the employees' compensation plan.

The composition of the board of directors of NRL is the same as that of the board of directors of Nexgen Financial Holdings Limited. Its role is to ensure the effectiveness of the internal controls of the Company and to oversee the Company's compliance with the rules and regulations applicable to its business.

The reinsurance business is managed by two co-general managers. They sit, together with two Executive Directors and the Group Chief Financial Officer, on the Reinsurance Business Committee. The Reinsurance Business Committee is responsible for approving all of the Company's reinsurance and retrocession contracts prior to their signature, as well as investments, subject to seeking the prior advice and counsel of the Group's Transaction Committee.

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

The Executive Committee which meets to consult on business issues and to maximise the Group's synergies with its shareholders.

The Management Committee is responsible for running the day-to-day operations of the Group.

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 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 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, high level academics and Nexgen research staff.

A Risk Controller, nominated by the largest institutional investor, supervises the risk management process and monitors compliance with all risk limits.

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. This ability derives from the financial and organisational capacity of Nexgen to act as a principal, sharing risk with and/or acquiring risk from the client. The business model relies on the continuous implementation of a rigorous risk management and valuation process.

NRL's risk management policy is to evaluate, control and reduce the risks linked with the principal transactions it has entered into. This is achieved through:

- diversification and mutualisation,
- systematic modelling of exposures to estimate worst case amounts and risks at different percentiles,
- definition of clear limits and selective use of retrocession to reduce the exposure.

A proprietary valuation and reporting system, complemented by the use of external risk management software tools, measures the risks of any type of structure, whatever the underlying instrument allowing it to be effectively hedged.

Financial solutions are individually approved. Prior to the decision to enter into any transaction, present and anticipated risks are vigorously analysed and deliberated.

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

In the context of client transactions, counter-party 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 addition, manufactured protection, credit default swaps, guarantees and special purpose entity (SPE) structures may be used.

As many of Nexgen's clients are not rated, an internal credit rating system has been set up to calculate objective default probabilities 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 the counterparties.

Consideration is given to the size of individual risks within Nexgen's diversification objectives. Due consideration is also given to the availability of adequate sources of funding and to 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 measurements against which global limits have been allocated. The company 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 - spreads movement	99%	90 days	10
Credit VaR - jump to default	99%	90 days	35

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 the P&L analyses.

The Board of Directors of Nexgen Financial Holdings Limited approves the various limits mentioned above.

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

Reinsurance Risks

The gross reinsurance exposure of the Company amounted to $0 at 31 December 2005 (31 December 2004: $0).
The reinsurance VaR (at a 99% confidence level over the period to maturity) was $0 at 31 December 2005 (31 December 2004: $0) compared to an internal limit of $30m.

Credit Risk - Credit Derivatives

The Structured Credit / CDO portfolio includes equity pieces and mezzanine pieces of synthetic CDOs which 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 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 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 NRL were:

VaR Default 2005: $9.1m (Group limit: $35m)(2004: $11.4m (Group limit: $30m))
VaR Spreads 2005: $0.2m (Group limit: $10m)(2004: $0.7m (Group limit: $10m))

Further detailed quantitative indicators of this portfolio are shown in the table 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 ($'000)	595,000	801,200
Sum of Short delta ($'000)	(490,200)	(662,800)
Net delta ($'000)	104,800	138,400
Sensitivity to +1bp CDS Spreads ($'000)	52.40	69.20

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 mitigate operational risk, 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 the documentation and executing the 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-unit 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 hit by a disaster.

LEGAL AND REPUTATIONAL RISK

Nexgen is involved in complex and innovative transactions. As such the Company, using structures in place at a Group level, minimises the potential legal and reputational risks by taking various steps, including the following:

- at the pre-transaction stage, the Screening Committee reviews each prospective counterparty from a reputational and "Know Your Customer" perspective,
- 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,
- when structuring transactions, special attention is given also to their conformity to local rules and regulations, and prominent local law firms are systematically used to verify such compliance.

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

2005 ACTIVITY

The Company's profit after tax for 2005 was $2.4m compared with $1m in 2004.

Income Generation

Reinsurance activity was oriented toward balance sheet protection structures for Life and non Life insurance and reinsurance clients. Nexgen Re participated in the first securitization of the loss risk on a portfolio of motor insurance policies. This transaction was structured for AXA in collaboration with IXIS CIB.

NRL unwound of a number of CDO positions during the year. No new CDO transactions were executed.

As Nexgen Capital Limited's immediate parent, NRL received a dividend for the year.

General and resources

Staff numbers at the end of 2005 were 11 (2004: 9).

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

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 Re'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 non technical income statement showed loss of $(2.9)m, offset by dividend income received from NCL of $5m, giving a net profit before tax of $2.1m (2004: $0.66m).

The reinsurance technical income was $0.5m (2004: $0m).

Operating expenses were relatively stable at $5.5m (2004: $5.75m). A decrease in intercompany marketing fees to $0.8m (2004: $1.5) as a result of lower activity was partly offset by an increase in other administrative expenses $2.94m (2004: $2.7m) and an increase in staff costs $1.8m (2004: $1.6m). Taxation was $0.32m (2004: $0.38m).

The net profit after tax for the year was $2.4m compared to $1m for the year 2004.

Balance Sheet

The total assets decreased by $6m over the year to $205m (31 December 2004: $211m).

This reflects the reduction in positions held due to the unwind of a number of CDO transactions and relatively little new business during the financial year.

Shareholders funds at 31 December 2005 were $197.1m compared to $194.6m at the end of 2004. This is due to the profit for the year.

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 the Nexgen Group had developed closer business links with IXIS CIB and larger transactions have been structured in cooperation with them. IXIS CIB has stated that the acquisition of the Company will further expand its service offering within France and abroad. This will give the 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. They served for the entire year, except where indicated.

Directors' and secretary's interests

TThe beneficial interests of the directors, in office at 31 December 2005, in the ordinary share capital of the Nexgen Financial Holdings Limited, at 31 December 2005 and 31 December 2004 were as follows:

	Number of shares			
	31 December 2005		31 December 2004	
Luc Giraud	15,240	Founders Shares	15,240	Founders Shares
	764,750	Ordinary shares	764,750	Ordinary shares
Ravi Viswanathan	15,240	Founders Shares	15,240	Founders Shares
	764,750	Ordinary shares	764,750	Ordinary shares
Nicola O'Connell (Company Secretary)	400	Ordinary 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 (no change from 31 December 2004).

	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

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 of NRL held other interests in the Company or any Group company 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 period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those 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; and
- 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 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 are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Companies Acts, 1963 to 2005 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996. 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 RE LIMITED

We have audited the financial statements (the "financial statements") on pages 16 to 28. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 19 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 13.

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 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996. 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 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 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

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 12 is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet on page 18 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
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

24 February 2006

PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT

	Notes	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Earned premiums, net of reinsurance			
Gross premiums written		–	–
Outward reinsurance premiums		–	–
			–
Change in the gross provision for unearned premiums		–	–
Change in the provision for unearned premiums, reinsurance share		–	–
		–	–
Earned premiums, net of reinsurance		–	–
Allocated investment return transferred from the non-technical account		–	–
Other technical income, net of reinsurance		593	–
Total technical income		593	–
Claims incurred, net of reinsurance			
Gross and net claims paid		–	–
Gross and net change in the provision for claims		–	–
Gross and net change in other technical provisions		–	–
		–	–
Net operating expenses	2	(140)	–
Total charges		(140)	–
Balance on the technical account		**453**	**–**

On behalf of the board

Luc Giraud

Ravi Viswanathan

PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT

	Notes	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Balance on the technical account		453	–
Investment income and gains	3	2,208	408
Dividend Received from subsidiary	3	5,000	6,000
Investment expenses and charges		–	
Allocated to the technical account		–	–
Other charges	4	(5,534)	(5,749)
Profit on ordinary activities before taxation		2,127	659
Tax credit/(charge) on profit on ordinary activities	6	316	380
Profit on ordinary activities after taxation		2,443	1,039
Profit and loss account at the beginning of year		8,686	7,647
Profit and loss account at the end of year		**11,129**	**8,686**

On behalf of the board

Luc Giraud

Ravi Viswanathan

BALANCE SHEET

	Notes	31 December 2005 USD'000	31 December 2004 USD'000
Assets			
Investments			
Investments in group undertakings and participating interests	7	125,000	125,000
Other financial investments	8	70,945	73,639
		195,945	198,639
Debtors			
Deferred taxation	9	–	2,447
Other debtors	9	3,442	7,332
		3,442	9,779
Other assets			
Tangible fixed assets	10	311	150
Cash at bank and in hand		5,084	2,007
		5,395	2,157
Prepayments and accrued income			
Other prepayments		213	367
		213	367
Total Assets		**204,995**	**210,942**
Liabilities			
Loans from financial institutions	11	3,190	5,450
		3,190	5,450
Other financial liabilities	12	3,838	7,879
		3,838	7,879
Creditors	13	895	2,984
		895	2,984
Capital and reserves			
Called up share capital	14	1	1
Capital contribution	15	185,942	185,942
Profit and loss account		11,129	8,686
Shareholders' funds	16	197,072	194,629
Total Liabilities		**204,995**	**210,942**

On behalf of the board

Luc Giraud　　Ravi Viswanathan

1 | Accounting Policies

A summary of the principal accounting policies is set out below.

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 historical 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).

Technical Result

The technical result is determined annually using the incurred cost of claims, commissions and related expenses are charged against the earned proportion of the premium net of retrocessions. Earning rates follows the seasonality of the underlying expenses.

(a) Premiums written
Premiums written relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued and include estimates of premiums due but not yet receivable or notified to the Company. All bookings are made based on the Company's available information and estimates and are revised when final statements are received from the cedent.

(b) Unearned premiums
Unearned premiums are those proportions of the premiums written that relate to periods of risk subsequent to the balance sheet date. Unearned premiums are computed using earning rates following the seasonality of the underlying exposure, or on a pro rata basis over the duration of the underlying reinsurance contract.

(c) Deferred acquisition costs
Commissions which vary with, and are primarily related to, the acquisition and renewal of reinsurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

(d) Claims incurred
Claims incurred include full provision for all claims notified but not settled at the balance sheet date. Provision is also made for the estimated cost of claims incurred but not notified at that date.

(e) Unexpired Risks
A provision for unexpired risks is made where the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums, taking into account future investment income.

Investment income

Investment income includes interest and dividends received and receivable for the year, net of the cost of finance, gains or losses arising from the difference between net sales proceeds and purchase prices and gains or losses arising from the change of the fair value of financial instruments held between the purchase date (or the previous reporting date) and the current reporting date.

Investment and structured transactions

Trading security positions, financial liabilities and derivative instruments arising from investment (and structured) transactions are valued at market prices or at fair value, using industry standard valuation principles as set out below. Resulting changes in fair value are recognised in the profit and loss account as investment income and gains 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.

To obtain a fair value the valuation process involves 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.

Where market prices are not available for some elements, those elements are marked-to-model using calculated parameters estimated from quoted valuation parameters or calculated from economic indicators (e.g. dividends, volatilities).

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

- *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, price 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.

From a risk management point of view, expected costs will be hedged when their final amount is dependent on the variation of market parameters.

Subsidiary Undertakings

Operational subsidiaries are carried at cost.

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.

Deferred tax is provided on all material timing differences that have originated but have not been reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

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:

Computer Software	3 years
Computer Equipment	3 years
Office Equipment	3 years

2 | Net operating expenses - technical account

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Net operating expenses comprise:		
- acquisition costs	–	–
- change in deferred acquisition costs	–	–
- administrative expenses	140	–
- reinsurance commission	–	–
- brokerage costs paid on reinsurance premium	–	–
- tax paid on reinsurance premium	–	–
	140	–

Administrative expenses include expenses relating to the services provided to NRL by the other Group companies. These costs have been allocated to the technical account according to the ratio of technical income to total income.

3 | Investment income and gains

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Interest income on deposits	2,051	473
Gains/(losses) on investments	157	(65)
Dividend received from subsidiary	5,000	6,000
	7,208	6,408
Investment expenses and charges	–	–
Total investment return	7,208	6,408
Analysed between:		
Allocated investment return transferred to the technical account	–	–
Investment return included in the non technical account	7,208	6,408
Total investment return	7,208	6,408

4 | Other charges

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Other charges comprise:		
Staff costs	1,822	1,581
Auditors' remuneration	268	377
Depreciation	145	215
Intercompany service expenses (see note 5)	769	1,480
Other administrative expenses		
- Professional fees	636	211
- Non Executive directors fees	250	140
- Other administrative fees	1,644	1,745
	5,534	5,749
Staff costs comprise:		
Wages and salaries	1,215	1,029
Social welfare costs	229	180
Pension costs	172	154
Other staff costs	206	218
	1,822	1,581
Directors' emoluments	1,006	1,023

The average number of persons employed by the Company during the year was 12 (2004: 9), including one seconded employee.
Fees for directors' services and auditors' remuneration are paid by NRL on behalf of the Group and recharged to the relevant companies.

5 | Intercompany Services

Intercompany service expenses represent billings 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.

6 | Taxation

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Corporation tax for the year	(2,765)	2,468
Movement in deferred tax liability	–	(419)
Movement in deferred tax asset	2,449	(2,429)
	(316)	(380)
Effective tax rate	–15%	–58%

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:

	Year ended 31 December 2005 USD'000	Year ended 31 December 2004 USD'000
Profit on ordinary activities before taxation	2,127	659
Profit on ordinary activities multiplied by the standard rate of corporation tax in Ireland of 12.5% (2004: 12.5%)	266	82
Effects of:		
Expenses not deductible for tax purposes	10	3
Capital allowances in excess of depreciation	(4)	10
Dividend as Franked investment income	(625)	(750)
Average EUR/USD fx rate used in Irish tax computation	–	205
Adjustment in respect of previous years	37	87
Movement in respect of deferred tax asset	–	(17)
Current tax charge for year	(316)	(380)

7 | Investments in Group undertakings and participating interests

	31 December 2005 USD'000	31 December 2004 USD'000
Investments in and capital contribution made to Group undertakings	125,000	125,000
	125,000	125,000

Details of subsidiary undertakings are as follows:

	% Interest 31 December 2005	% Interest 31 December 2004	Amount of Investment including capital contribution	Country of incorporation and principal area of operation	Nature of Business
Nexgen Capital Limited	100%	100%	USD 120,000,001	Ireland	Financial Structures
Nexgen Financial Solutions Limited	100%	100%	USD 5,000,000	Ireland	Financial Structuring
Nexgen Financial Solutions(Asia) Pte Ltd*	100%	100%	SGD 2,000,000	Singapore	Financial Structuring
Mango CDO Limited**	–	100%	NIL	Jersey	SPV

(*) indirect holding (**) collateralised debt obligations

8 | Other financial investments

	31 December 2005 USD'000	31 December 2004 USD'000
Amounts falling due within 1 year:		
Deposits with credit institutions	3,952	4,909
Deposits with other institutions	–	–
Loans to Group undertakings	57,286	36,028
	61,238	40,937
Debt securities and other fixed income securities	–	7,416
Derivative structures – long positions	9,707	25,286
	70,945	73,639

Of the Debt securities and other fixed income securities held, none are listed on recognised stock exchanges.

9 | Debtors

	31 December 2005 USD'000	31 December 2004 USD'000
Corporation Tax recoverable	2,765	–
Deferred Taxation	–	2,447
Amounts due from group undertakings	673	1,321
Other debtors	4	6,011
	3,442	9,779

10 | Tangible fixed assets

	Computer Equipment USD '000	Office Equipment USD '000	Computer Software USD '000	Other Asset USD '000	Total USD '000
Cost					
At 31 December 2004	342	154	272	–	768
Additions	159	72	39	36	306
At 31 December 2005	501	226	311	36	1,074
Accumulated Depreciation					
At 31 December 2004	252	129	237	–	618
Charge for the year	85	29	22	9	145
At 31 December 2005	337	158	259	9	763
Net Book Value					
At 31 December 2004	90	25	35	–	150
At 31 December 2005	164	68	52	27	311

The Company did not have any capital commitments at 31 December 2005.

11 | Loan from financial institutions

	31 December 2005 USD'000	31 December 2004 USD'000
Loans from group undertakings	3,190	5,450
	3,190	5,450

12 | Other financial liabilities

	31 December 2005 USD'000	31 December 2004 USD'000
Derivative structures-short positions	3,838	7,879
	3,838	7,879

13 | Creditors

	31 December 2005 USD'000	31 December 2004 USD'000
Amounts due to Group undertakings	–	48
Accruals and deferred income	641	394
Corporation Tax due	–	2,383
Other creditors	254	159
	895	2,984

14 | Called up 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:		
1,000 ordinary shares of USD 1 each	1,000	1,000

15 | Reserves

	Share Capital Issued USD '000	Capital Contribution USD '000	Profit and Loss Account USD '000	Total USD '000
At 31 December 2004	1	185,942	8,686	194,629
Profit retained for the year	–	–	2,443	2,443
At 31 December 2005	1	185,942	11,129	197,072

16 | Reconciliation of movement in equity shareholders' funds

	31 December 2005 USD'000	31 December 2004 USD'000
The reconciliation of the movement in shareholders' funds is as follows:		
Opening shareholders' funds	194,629	193,590
Profit retained for the year	2,443	1,039
Closing shareholders' funds	197,072	194,629

17 | Cash Flow Statement

The ultimate parent company, Nexgen Financial Holdings Limited prepares publicly available consolidated financial statements which 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.

18 | 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 Financial Reporting Standard No. 8 (Related Party Transactions), on the basis that the consolidated financial statements of Nexgen Financial Holdings Limited are publicly available.

19 | Parent Undertaking

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, Ireland.

20 | Commitments and Guarantees

There were no commitments or guarantees at 31 December 2005 or 31 December 2004.

21 | Financial Instruments

	31 December 2005			31 December 2004		
	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	–	–	–	10,000	–	18
Foreign Exchange contracts	11,702	73	39	11,510	9	284
Credit Derivative contracts	810,000	9,634	3,799	2,369,100	25,277	7,577
Total contracts	821,702	9,707	3,838	2,390,610	25,286	7,879

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

22 | Approval of Financial Statements

The board of 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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