NB PRIVATE EQUITY PARTNERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2010 and 2009

KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Members
NB Private Equity Partners Limited:

We have audited the accompanying consolidated balance sheets of NB Private Equity Partners Limited and Subsidiaries (the Company), including the consolidated condensed schedules of private equity investments, as of December 31, 2010 and 2009, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NB Private Equity Partners Limited and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations, their changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

March 9, 2011

NB Private Equity Partners Limited
Consolidated Balance Sheets
31 December 2010 and 2009

Assets		2010		2009
Private equity investments				
(cost of $537,626,591 for 2010 and $544,064,097 for 2009)	$	591,438,896	$	534,812,439
Cash and cash equivalents		47,556,616		63,911,521
Other assets		3,299,379		4,428,391
Total assets	**$**	**642,294,891**	**$**	**603,152,351**

Liabilities				
Liabilities:				
Credit facility loans	$	47,500,000	$	65,847,760
Zero dividend preference share liability		55,726,333		48,871,677
Payables to Investment Manager and affiliates		2,055,588		1,851,432
Accrued expenses and other liabilities		6,649,502		2,139,053
Net deferred tax liability		2,908,248		800,385
Total liabilities	**$**	**114,839,671**	**$**	**119,510,307**
Net assets				
Class A shares, $0.01 par value, 500,000,000 shares authorized,				
53,883,233 shares issued, and 50,732,825 shares outstanding for 2010				
(54,210,000 shares issued, and 51,059,592 shares outstanding for 2009)	$	538,832	$	542,100
Class B shares, $0.01 par value, 100,000 shares authorized,				
10,000 shares issued and outstanding		100		100
Additional paid-in capital		539,358,974		541,657,800
Retained earnings (deficit)		(3,713,018)		(49,782,128)
Less cost of treasury stock purchased (3,150,408 shares)		(9,248,460)		(9,248,460)
Total net assets of the controlling interest		526,936,428		483,169,412
Net assets of the non-controlling interest		518,792		472,632
Total net assets	**$**	**527,455,220**	**$**	**483,642,044**
Total liabilities and net assets	**$**	**642,294,891**	**$**	**603,152,351**
Net asset value per share for Class A and Class B shares	**$**	**10.38**	**$**	**9.46**
Net asset value per zero dividend preference share (Pence)		**107.95**		**100.79**

The accounts were approved by the board of directors on 9 March 2011 and signed on its behalf by

Talmai Morgan **John Hallam**

The accompanying notes are an integral part of the consolidated financial statements.

NB Private Equity Partners Limited

Consolidated Condensed Schedules of Private Equity Investments

31 December 2010 and 2009

Private equity investments		Cost		Fair Value		Unfunded Commitment		Private Equity Exposure
2010								
Fund investments	$	426,600,243	$	475,202,891	$	111,790,734	$	586,993,625
Direct co-investments-equity		92,657,233		99,446,914		3,767,504		103,214,418
Direct co-investments-debt		18,369,115		16,789,091		N/A		16,789,091
	$	**537,626,591**	**$**	**591,438,896**	**$**	**115,558,238**	**$**	**706,997,134**
2009								
Fund investments	$	457,065,010	$	457,239,481	$	152,654,027	$	609,893,508
Direct co-investments-equity		75,962,038		69,209,357		6,361,771		75,571,128
Direct co-investments-debt		11,037,049		8,363,601		N/A		8,363,601
	$	**544,064,097**	**$**	**534,812,439**	**$**	**159,015,798**	**$**	**693,828,237**

Private equity investments in excess of 5% of net asset value		Fair Value
2010		
NB Crossroads Fund XVII	$	36,478,342
NB Crossroads Fund XVIII		
Large-cap Buyout		10,278,437
Mid-cap Buyout		30,197,181
Special Situations		9,233,511
Venture		8,399,985
		58,109,114
Centerbridge Credit Partners Fund, L.P.		32,116,316
OCM Opportunities Fund VIIb, L.P.		41,345,065
2009		
NB Crossroads Fund XVII	$	31,833,592
NB Crossroads Fund XVIII		
Large-cap Buyout		7,752,211
Mid-cap Buyout		22,263,134
Special Situations		8,257,608
Venture		6,644,819
		44,917,772
Centerbridge Credit Partners Fund, L.P.		26,624,770
OCM Opportunities Fund VIIb, L.P.		34,542,536

The accompanying notes are an integral part of the consolidated financial statements.

NB Private Equity Partners Limited

Consolidated Condensed Schedules of Private Equity Investments

31 December 2010 and 2009

Geographic diversity of private equity investments (1)	Fair Value 2010	Fair Value 2009
North America	$ 429,877,666	$ 406,766,427
Europe	86,424,281	79,435,478
Asia / Rest of World	13,198,409	12,900,478
Not classified	61,938,540	35,710,056
	$ 591,438,896	**$ 534,812,439**

Industry diversity of private equity investments (2)	Fair Value 2010	Fair Value 2009
Diversified / Undisclosed / Other	21.1%	23.6%
Energy / Utilities	18.0%	17.6%
Financial Services	11.9%	13.3%
Consumer / Retail	11.4%	9.4%
Industrials	10.0%	7.3%
Communications / Media	8.1%	7.2%
Technology / IT	6.0%	5.8%
Healthcare	5.9%	7.4%
Transportation	4.1%	4.5%
Business Services	3.2%	3.9%
	100.0%	**100.0%**

Asset class diversification of private equity investments (3)	Fair Value 2010	Fair Value 2009
Large-Cap Buyout	21.4%	30.3%
Large-Cap Buyout Co-Invest	4.6%	4.1%
Mid-cap Buyout	19.5%	19.6%
Mid-cap Buyout Co-Invest	11.8%	9.6%
Special Situation	29.0%	27.0%
Special Situation Co-Invest	4.1%	1.6%
Growth/Venture	6.9%	5.7%
Secondary Purchases	2.7%	2.1%
	100.0%	**100.0%**

(1): Geography is determined by location of the headquarters of the underlying portfolio companies in funds and direct co-investments. A portion of our fund investments may relate to cash, or other assets or liabilities that they hold and for which we do not have adequate information to assign a geographic location.

(2): Industry diversity is based on underlying portfolio companies and direct co-investments.

(3): Asset class diversification is based on the net asset value of underlying fund investments and co-investments.

The accompanying notes are an integral part of the consolidated financial statements.

NB Private Equity Partners Limited

Consolidated Statements of Operations and Changes in Net Assets

For the years ended 31 December 2010 and 2009

		2010		2009
Interest and dividend income	$	2,195,535	$	2,594,264
Expenses				
Carried interest		44,535		-
Investment management and services		7,754,688		6,660,363
Administration and professional		4,236,405		3,810,273
Finance costs				
Zero dividend preference shares		3,882,092		409,325
Credit facility		1,934,167		3,605,488
		17,851,887		14,485,449
Net investment income (loss)	**$**	**(15,656,352)**	**$**	**(11,891,185)**
Realized and unrealized gains (losses)				
Net realized gain (loss) on investments, net of tax expense of $1,015,800 for 2010 and $132,035 for 2009	$	2,012,393	$	(11,637,080)
Net change in unrealized gain (loss) on investments, net of tax expense (benefit) of $2,112,471 for 2010 and ($2,781,148) for 2009		59,759,229		79,720,661
Net realized and unrealized gain (loss)		61,771,622		68,083,581
Net increase (decrease) in net assets resulting from operations	$	46,115,270	$	56,192,396
Less net increase (decrease) in net assets resulting from operations attributable to the non-controlling interest		46,160		56,192
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	**$**	**46,069,110**	**$**	**56,136,204**
Net assets at beginning of year attributable to the controlling interest		483,169,412		430,484,266
Less cost of treasury stock purchased (1,438,271 shares for 2009)		-		3,451,058
Less cost of stock repurchased and cancelled (326,767 shares for 2010)		2,302,094		-
Net assets at end of year attributable to the controlling interest	**$**	**526,936,428**	**$**	**483,169,412**
Earnings (loss) per share for Class A and Class B shares of the controlling interest	***$***	***0.90***	***$***	***1.10***

The accompanying notes are an integral part of the consolidated financial statements.

NB Private Equity Partners Limited
Consolidated Statements of Cash Flows
For the years ended 31 December 2010 and 2009

		2010		2009
Cash flows from operating activities:				
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$	46,069,110	$	56,136,204
Net increase (decrease) in net assets resulting from operations attributable to the non-controlling interest		46,160		56,192
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:				
Net realized (gain) loss on investments		(2,012,393)		11,637,080
Net change in unrealized (gain) loss on investments		(59,759,229)		(79,720,661)
In-kind payment of interest income		(873,914)		(512,959)
Amortization of finance costs		464,366		(1,451,893)
Change in other assets		319,922		(19,383)
Change in payables to Investment Manager and affiliates		(409,409)		580,194
Change in current tax liabilities		883,395		(649,654)
Change in accrued expenses and other liabilities		4,425,342		966,693
Net cash provided by (used in) operating activities		(10,846,650)		(12,978,187)
Cash flows from investing activities:				
Distributions from private equity investments		46,801,173		27,479,462
Proceeds from sale of private equity investments		40,505,400		8,105,442
Contributions to private equity investments		(51,395,276)		(50,837,350)
Purchases of private equity investments		(25,639,175)		(5,698,083)
Net cash provided by (used in) investing activities		10,272,122		(20,950,529)
Cash flows from financing activities:				
Credit facility loan borrowing		22,504,673		462,910
Proceeds from zero dividend preference shares		4,904,286		49,858,156
Credit facility loan payments		(40,852,433)		(86,017,188)
Stock repurchased and cancelled		(2,302,094)		-
Treasury stock purchased		-		(3,487,112)
Net cash provided by (used in) financing activities		(15,745,568)		(39,183,234)
Effect of exchange rates on cash balances		(34,809)		(2,180,548)
Net increase (decrease) in cash and cash equivalents		**(16,354,905)**		**(75,292,498)**
Cash and cash equivalents at beginning of year		63,911,521		139,204,019
Cash and cash equivalents at end of year	**$**	**47,556,616**	**$**	**63,911,521**
Supplemental cash flow information				
Interest paid	**$**	**653,205**	**$**	**2,389,527**
Net taxes paid	**$**	**72,013**	**$**	**966,242**

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 – Organization

NB Private Equity Partners Limited and its subsidiaries (the “Company”, “We”, or “Our”) is a closed-end investment company registered in Guernsey. Our registered office is Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY. We invest in private equity through private equity funds and co-investments. We may also make opportunistic investments. Our Class A shares are listed and admitted to trading on Euronext Amsterdam by NYSE Euronext and on the Specialist Fund Market of the London Stock Exchange plc under the symbol “NBPE”. Our zero dividend preference shares (see note 6) are listed and admitted to trading on the Daily Official List of the Channel Islands Stock Exchange and the Specialist Fund Market of the London Stock Exchange under the symbol “NBPZ”.

Our Class B shares were contributed at the time of our initial public offering to a Guernsey charitable trust whose trustee is Heritage Corporate Services Limited (“Trustee”). Class B shares have the right to elect all of our directors and make most other decisions usually made by shareholders. The voting rights of Class A shares are limited to special consent rights involving specified events including merger, change in investment manager or investment policy, certain additional share issuances and certain material related party transactions as well as other events as described in our memorandum and articles of incorporation. Each Class A and B share participates equally in profits and losses.

The Company is managed by NB Alternatives Advisers LLC (“NB Alternatives” or “Investment Manager”) pursuant to an investment management and services agreement. NB Alternatives is a subsidiary of Neuberger Berman Group LLC (“NBG”). NBG was formed by certain members of the senior management team at Lehman Brothers Investment Management Division to acquire a majority interest in certain asset management businesses from the bankruptcy estate of Lehman Brothers Holdings, Inc. (“LBHI”). The investment management and services agreement with the Company was included in the assets acquired by NB Alternatives. The same key individuals are providing services to the Company before and after the NBG transaction, which was effective as of 4 May 2009.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss and are in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), as allowed by rules published in the Netherlands to effect implementation of the EU Transparency Directive, and are in compliance with the Companies (Guernsey) Law, 2008. These financial statements are presented in United States dollars.

Principles of Consolidation

The consolidated financial statements include accounts of the Company consolidated with the accounts of all its subsidiaries in which we hold a controlling financial interest as of the financial statement date. All material inter-company balances have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents are valued at cost plus accrued interest, which approximates fair value. These balances represent amounts held with financial institutions that are readily accessible to pay expenses or fund investments as well as money market mutual funds. As of 31 December 2010 and 2009, $47,556,616 and $63,911,521 are held with JPMorgan Chase, respectively.

Valuation of Investments

The Company carries private equity investments on its books at fair value in accordance with U.S. GAAP. We use the best information we have reasonably available to determine or estimate fair value. Publicly traded securities are valued based on quoted prices as of the last day of the relevant period less discounts to reflect legal restrictions associated with the securities, if any, that affect marketability. We determine such values for publicly traded securities held directly as well as known public positions held in the underlying private equity investments on a look-through basis. We estimate fair value for private interests based on a methodology that begins with the most recent information available from the general partner of the underlying fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other information judged to be reliable that reports or indicates valuation changes, including realizations and other portfolio company events. If we conclude that it is probable that we will sell an investment, we adjust our carrying value to the amount we expect to realize from the sale, exclusive of transaction costs.

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820) - Improvements to Disclosures about Fair Value Measurements, which requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements should be presented separately. We have adopted this guidance in these financial statements.

Because of their inherent uncertainty, the fair values we use may differ significantly from the values that would have been used had a ready market for these investments existed, and such differences could be material to the consolidated financial statements.

Market Risk

The Company's exposure to financial risks is both direct (through its holdings of assets and liabilities directly subject to these risks) and indirect (through the impact of these risks on the overall valuation of its investments). The Company's investments are generally not traded in an active market but are indirectly exposed to market price risk arising from uncertainties about future values of the investments held. The partnership investments of the Company each hold a portfolio of investments in underlying companies. These portfolio company investments vary as to type of security held by the underlying partnership (debt or equity, publicly traded or privately held), stage of operations, industry, geographic location, and geographic distribution of operations and size, all of which may impact the susceptibility of their valuation to market price risk.

Market conditions for publicly traded and privately held investments in portfolio companies held by the partnerships may affect their value in a manner similar to the potential impact on direct co-investments made by the Company in publicly traded and privately held securities. The partnership investments of the Company may also hold financial instruments (including debt and derivative instruments) in addition to their investments in portfolio companies that are susceptible to market price risk and therefore may also affect the value of the Company's investment in the partnerships. As with any individual investment, market prices may vary from composite index movements.

Investment Income

We earn interest and dividends from our direct investments in private equity, from the underlying portfolio companies of investments in private equity funds, and from our cash and cash equivalents. We record dividends when they are declared and interest when earned, provided we know the information or are able to reliably estimate it. Otherwise, we record the investment income when it is reported to us by the private equity investments.

Operating Expenses

Operating expenses are recognized when incurred. Operating expenses include amounts directly incurred by the Company as part of its operations, and do not include amounts incurred from the operations of our investments.

Realized Gains and Losses on Investments

For investments in private equity funds, we record our share of realized gains and losses incurred when we know that the private equity fund has realized its interest in a portfolio company and we have sufficient information to quantify the amount. For all other investments, we record realized gains and losses when the asset is realized and on the trade date. For all investments, realized gains and losses are recorded on a specific identification cost basis.

Net Change in Unrealized Appreciation and Depreciation of Investments

Gains and losses arising from changes in value are recorded as an increase or decrease in the unrealized appreciation or depreciation of investments based on the methodology described above.

Carried Interest

Carried interest amounts due the Investment Manager (see note 3) are computed and accrued at each period end based on period-to-date results in accordance with the terms of the agreements.

Currency Translation

Investments denominated in a currency other than U.S. dollars are translated into U.S. dollar equivalents using spot rates as of the valuation date. The Company does not separate the changes relating to currency exchange rates from those relating to changes in the fair value of the investments held. These fluctuations are combined and included in the net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars in the Consolidated Statements of Operations and Changes in Net Assets. For the year ended 31 December 2010, the effect of translation to U.S. dollars decreased valuations of foreign investments by approximately $1,016,947. For the year ended 31 December 2009, the effect of translation to U.S. dollars increased valuations of foreign investments by approximately $549,222.

The Company has unfunded commitments denominated in a currency other than U.S. dollars. These unfunded commitments are in Euro and amounted to €7,387,103 at 31 December 2010 and €16,103,530 at 31 December 2009; they have been included in the Consolidated Condensed Schedules of Private Equity Investments at the U.S. dollar exchange rate in effect at 31 December 2010 and 2009. The effect on the unfunded commitment of the change in the exchange rate between Euros and U.S. dollars was a decrease in the U.S. dollar obligation of $1,827,354 and $225,403, for 2010 and 2009 respectively.

Income Taxes

The Company is registered in Guernsey as an exempt company. The States of Guernsey Income Tax Authority has granted the Company an exemption from Guernsey income tax under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and the Company has been charged an annual exemption fee of £600.

Generally, income that we derive from our investments may be subject to, taxes imposed by the U.S. or other countries and will impact our effective tax rate.

Investments made in entities that generate U.S. source investment income may subject the Company to certain U.S. federal and state income tax consequences. A U.S. withholding tax at the rate of 30 percent may be applied on the Company's distributive share of any U.S. source dividends and interest (subject to certain exemptions) and certain other income that we receive directly or through one or more entities treated as either partnerships or disregarded entities for U.S. federal income tax purposes.

Investments made in entities that generate business income that is effectively connected with a U.S. trade or business may subject the Company to certain U.S. federal and state income tax consequences. Generally the U.S. imposes withholding tax on effectively connected income at the highest U.S. rate (generally 35 percent). In addition, we may also be subject to a branch profits tax which can be imposed at a rate of up to 30 percent of the after-tax profits treated as effectively connected income associated with a U.S. trade or business. As such, the aggregate U.S. tax liability on effectively connected income may approximate 54.5 percent given the two levels of tax.

We recognize a tax benefit in the financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. To date, we have not provided any reserves for taxes as all related tax benefits have been fully recognized. Although we believe we have adequately assessed for our uncertain tax positions, the Company acknowledges that these matters require significant judgment and no assurance can be given that the final tax outcome of these matters will not be different.

Deferred taxes are recorded to reflect the tax benefit and consequences of future years' differences between the tax basis of assets and liabilities and their financial reporting basis. We record a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. We record the tax associated with any transactions with U.S. or other tax consequences when we recognize the related income.

Shareholders in certain jurisdictions may have individual income tax consequences from ownership of our shares. We have not accounted for any such tax consequences in these financial statements. For example, we expect the Company and certain of its non-U.S. corporate subsidiaries to be treated as passive foreign investment corporations ("PFICs)" under U.S. tax rules. For this purpose, the PFIC regime should not give rise to additional tax at the level of the Company or its subsidiaries. Instead, certain U.S. investors in the Company may need to make tax elections and comply with certain U.S. reporting requirements related to their investments in the PFICs in order to potentially manage the adverse tax consequences associated with the regime.

Forward Foreign Exchange Contracts

Forward foreign exchange contracts are reported at fair value. See note 7.

Forward foreign exchange contracts involve elements of market risk in excess of the amounts reflected on the consolidated financial statements. We bear the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign exchange contract as well as risks from the potential inability of the counterparties to meet the terms of their contracts.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the inherent uncertainty of such estimates, including estimates of values of investments as described above, amounts ultimately determined may differ from our current estimates and such differences may be significant.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

Note 3 – Agreements, including related party transactions

Management and Administration

We pay the Investment Manager a management fee calculated at the end of each calendar quarter equal to 37.5 basis points (150 basis points per annum) of the net asset value of our private equity and opportunistic investments. For purposes of this computation, the net asset value is reduced by the net asset value of any investment for which the Investment Manager is separately compensated as investment manager. For the years ended 31 December 2010 and 2009, the management fee expenses were $7,192,204 and $6,178,648, respectively.

We also pay the Investment Manager for certain accounting and administrative services at the rate of 2.5 basis points per quarter (10 basis points per annum) applied to the net asset value of our private equity and opportunistic investments at the end of each calendar quarter, computed as described above. The amount incurred by the Company for the years ended 31 December 2010 and 2009 for these services were $562,484 and $481,715, respectively.

We pay to Heritage International Fund Managers Limited ("Heritage"), an affiliate of the Trustee, a fee for providing certain administrative functions relating to certain corporate services and Guernsey regulatory matters affecting the Company. Fees for these services are paid as invoiced by Heritage. We paid Heritage $153,080 and $165,403 for the years ended 31 December 2010 and 2009, respectively, for such services.

For the years ended 31 December 2010 and 2009, we paid our independent directors a total of $219,444 and $195,000 respectively.

Special Limited Partner's Noncontrolling Interest in Subsidiary

An affiliate of the Investment Manager is a Special Limited Partner in a consolidated partnership subsidiary. At 31 December 2010 and 2009, the noncontrolling interest of $518,792 and $472,632 represented the Special Limited Partner's capital contribution to the partnership subsidiary and income allocation, respectively. The amount of the noncontrolling ownership interest in the subsidiary was agreed between the General Partner and Special Limited Partner of the subsidiary.

The following table reconciles the carrying amount of net assets, net assets attributable to the controlling interest and net assets attributable to the noncontrolling interest at 31 December 2010 and 2009.

	Controlling Interest	Noncontrolling Interest	Total
Net assets balance, 31 December 2008	$ 430,484,266	$ 416,440	$ 430,900,706
Net increase (decrease) in net assets resulting from operations	56,136,204	56,192	56,192,396
Treasury stock purchased	(3,451,058)	-	(3,451,058)
Net assets balance, 31 December 2009	**$ 483,169,412**	**$ 472,632**	**$ 483,642,044**
Net increase (decrease) in net assets resulting from operations	46,069,110	46,160	46,115,270
Stock repurchased and cancelled	(2,302,094)	-	(2,302,094)
Net assets balance, 31 December 2010	**$ 526,936,428**	**$ 518,792**	**$ 527,455,220**

Carried Interest

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5 percent of our consolidated net increase in net assets resulting from operations for a fiscal year in the event that our internal rate of return for such period, based on our net asset value, exceeds 7.5 percent. If losses are incurred for a period, no carried interest is earned and such loss amounts are carried forward to be included in the calculations for future periods. Carried interest is reduced by the amount of carried interest that we paid during the period to any investment for which the Investment Manager serves as investment manager. Carried interest is also accrued and paid on any economic gain that we realize on treasury stock transactions. (See note 10). Carried interest is accrued periodically and paid at the conclusion of the fiscal year. As of 31 December 2010 and 2009, $44,535 and $0 carried interest were accrued, respectively.

Shares Owned by Lehman Brothers

Simultaneously with the closing of the initial offering of the Company and related transactions, affiliates of Lehman Brothers, which are not party to the bankruptcy filing of LBHI, purchased 14,500,000 Class A shares, in the form of restricted depositary shares applicable to investors in the United States, at the offering price. The restriction on re-sale of these shares expired on 18 July 2010.

Investments in NB Crossroads Funds

The Company holds limited partner interests in private equity funds of funds managed and sponsored by the Investment Manager. These investments are excluded from the calculation of management fees. For the years ended 31 December 2010 and 2009, the aggregate net asset value of these funds was approximately $94.6 million and $76.8 million, respectively, and associated unfunded commitments were $23.8 million and $33.3 million, respectively.

In 2009, we invested in a secondary transaction alongside other funds managed by the Investment Manager. Together with certain of the other funds, we formed NB Fund of Funds Secondary 2009 LLC (“NBFOFS”) to hold our interests in the acquired portfolio. NBFOFS pays no fees or carry to the Investment Manager or affiliates. We bear our share of any direct expenses of NBFOFS.

Note 4 – Fair Value of Financial Instruments

We categorize our investments and other financial instruments as follows based on inputs to valuation techniques.

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The following tables detail the Company's financial assets and liabilities that were accounted for at fair value as of 31 December 2010 and 2009 by level. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets (Liabilities) Accounted for at Fair Value			
As of 31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 47,556,616	$ -	$ -	$ 47,556,616
Private equity investments	-	-	591,438,896	591,438,896
Forward foreign exchange contract	-	-	(2,548,502)	(2,548,502)
Totals	**$ 47,556,616**	**$ -**	**$ 588,890,394**	**$ 636,447,010**
As of 31 December 2009				
Cash and cash equivalents	$ 63,911,521	$ -	$ -	$ 63,911,521
Private equity investments	-	-	534,812,439	534,812,439
Forward foreign exchange contract	-	-	310,010	310,010
Totals	**$ 63,911,521**	**$ -**	**$ 535,122,449**	**$ 599,033,970**

As of 31 December 2010 and 2009, the Company has assessed its positions and concluded that all of its private equity investments are classified as level 3.

The following table summarizes the changes in the fair value of the Company's level 3 private equity investments for the year ended 31 December 2010.

(dollars in thousands)

For the Year Ended 31 December 2010	Large-cap Buyout	Mid-cap Buyout	Special Situation	Growth/ Venture	Diversified	Secondary Purchases	Private Equity Investments
Balance, 31 December 2009	$ 176,739	$ 170,557	$ 143,327	$ 7,644	$ 31,833	$ 4,713	$ 534,813
Purchases of investments and/or contributions to investments	7,977	37,345	18,777	3,528	3,887	1,784	73,298
Realized gain (loss) on investments	(8,843)	(1,418)	13,883	(569)	543	13	3,609
Changes in unrealized appreciation (depreciation) of investments (including charges related to investments still held at the reporting date)	15,803	23,962	14,675	1,055	5,771	843	62,109
Changes in unrealized appreciation (depreciation) of investments sold during the year	1,202	-	-	-	-	-	1,202
Distributions from investments	(56,798)	(9,563)	(10,998)	-	(5,556)	(677)	(83,592)
Transfers in and/or (out) of level 3	-	-	-	-	-	-	-
Balance, 31 December 2010	**$ 136,080**	**$ 220,883**	**$ 179,664**	**$ 11,658**	**$ 36,478**	**$ 6,676**	**$ 591,439**

The following table summarizes the changes in the fair value of the Company's level 3 private equity investments for the year ended 31 December 2009.

(dollars in thousands)

For the Year Ended 31 December 2009

	Large-cap Buyout	Mid-cap Buyout	Special Situation	Growth/ Venture	Diversified	Secondary Purchases	Private Equity Investments
Balance, 31 December 2008	$ 150,592	$ 161,972	$ 95,675	$ 6,543	$ 28,708	$ -	$ 443,490
Purchases of investments and/or contributions to investments	13,020	19,020	6,538	1,044	3,399	2,463	45,484
Realized gain (loss) on investments	(4,328)	(716)	(558)	(83)	(2,822)	(492)	(8,999)
Changes in unrealized appreciation (depreciation) of investments (including charges related to investments still held at the reporting date)	19,511	2,671	42,701	140	3,956	2,863	71,842
Distributions from investments	(2,056)	(12,390)	(1,029)	-	(1,408)	(121)	(17,004)
Transfers in and/or (out) of level 3	-	-	-	-	-	-	-
Balance, 31 December 2009	**$ 176,739**	**$ 170,557**	**$ 143,327**	**$ 7,644**	**$ 31,833**	**$ 4,713**	**$ 534,813**

Generally, our private equity investments have a defined term and no right to withdraw. We receive distributions as the underlying investments are liquidated. The pace of liquidation depends on a number of factors. We estimate that the liquidation of our current portfolio will continue for another 10-15 years.

Our special situations investments include hedge funds valued at approximately $44.7 million and $37.2 million at 31 December 2010 and 2009 respectively. As of 31 December 2010, one hedge fund amounting to $12.6 million is redeemable quarterly with a 60 day advance notice. Another hedge fund amounting to $32.1 million is not redeemable for the first two to three years following investment, and has rolling two year lock-up periods thereafter. Hedge funds generally have a right to restrict redemptions in order to avoid a forced sale of underlying assets.

The 2010 fair value for large-cap buyout investments includes five funds that we expect to sell, valued at approximately $64.2 million. We believe that sales of these investments are probable and, accordingly, have determined their carrying values based on the amounts we expect to realize from the sales, exclusive of transaction costs. Our unfunded commitments at 31 December 2010 included approximately $12.2 million associated with these investments.

Note 5 – Credit Facility

A subsidiary of the Company has entered into an agreement with Lloyds Banking Group (Bank of Scotland) regarding a senior secured revolving credit facility (“Facility”) of up to $250 million. The term of the Facility is seven years and expires in August 2014. At 31 December 2010 and 2009, $47.5 million and $65.8 million were outstanding and substantially all assets are pledged pursuant to the following:

- a security interest in the Company’s interest in substantially all eligible funds or co-investments
- an undertaking to dispose of the Company’s assets in the event of continued default
- a security interest in the Company’s bank accounts
- a pledge over the share capital of any current or future subsidiary of the Company, provided such an arrangement would not violate the terms of the investment
- an assignment by the Company over future cash flows of its private equity investments
- a negative pledge by the Company in respect of the general partnership interests held
- an assignment of the Company’s rights under any key transactional documents entered into by the Company

The Company is required to meet certain portfolio diversification tests, a minimum fund/co-investment threshold, maximum exposure limitations, a maximum debt to value ratio, a maximum debt to secured assets ratio and a maximum over-commitment test. In addition, the Facility limits the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers, repurchase of shares, liens or other matters customarily restricted in such agreements. The zero dividend preference shares (note 6) and the forward foreign exchange contract (note 7) are compliant with the credit facility agreement. At 31 December 2010 and 2009, the Company met all requirements under the Facility.

All borrowings under the Facility bear interest at a floating rate, calculated as LIBOR or Euribor, as appropriate, plus 1.35% per annum. At 31 December 2010, interest rates on the outstanding balance range from 1.61828% to 1.6325% per annum. At 31 December 2009, interest rates on the outstanding balance range from 1.60338% to 1.63406% per annum.

In addition, we are required to pay a non-utilization fee calculated as 40 basis points per annum on the daily balance of the unused Facility amount. For the year ended 31 December 2010, we incurred and expensed $616,302 for interest and $871,122 for non-utilization fees related to the Facility. For the year ended 31 December 2009, we incurred and expensed $2,608,381 for interest and $520,370 for non-utilization fees related to the Facility. As of 31 December 2010 and 2009, unamortized capitalized debt issuance costs (included in other assets) were $1,397,725 and $1,794,745 respectively. Capitalized amounts are being amortized on a straight-line basis over the term of the Facility. Such amortization amounted to $397,019 and $397,019 for the years ended 31 December 2010 and 2009, respectively.

An active market for debt that is similar to that of the Facility does not exist. Management estimates the fair value of the Facility based on comparison to debt instruments with comparable characteristics. Management has estimated that the fair values of the Facility, based on the balance outstanding, are approximately $44.5 million and $62.2 million at 31 December 2010 and 2009 respectively. However, these estimates are affected by and are subject to significant variability due to the disruptions in the current market for such debt.

In the first quarter of 2009, the Company amended the terms of the Facility to ensure that the change in ownership of the Investment Manager (see note 1) did not cause an event of default. Likewise, we amended the terms of the Facility in the fourth quarter of 2009 to facilitate the offering of the zero dividend preference shares (see note 6) and the forward foreign exchange contract (see note 7).

Note 6 – Zero Dividend Preference Shares

On 30 November 2009 the Company issued 30,000,000 zero dividend preference shares (“ZDP Shares”). On 16 April 2010 the Company issued additional 2,999,999 ZDP Shares. The additional ZDP Shares rank pari passu with the first ZDP Shares. The holders of the ZDP Shares are entitled to a redemption amount of 100.0 pence per ZDP Share as increased daily at such a daily compound rate as would give a final entitlement of 169.73 pence on 31 May 2017, resulting in an effective interest rate of 7.3% annually. The ZDP shares rank prior to the class A and B shares in respect of repayment of the final entitlement. However, they rank behind any borrowings that remain outstanding. They carry no entitlement to income and their entire return takes the form of capital.

The following table reconciles the liability for ZDP shares for the years ended 31 December 2010 and 2009.

Zero dividend preference shares	Pounds Sterling		U.S. Dollars	
Offering proceeds, 30 November 2009	£	30,000,000	$	48,489,000
Accrued interest	£	236,761	$	388,075
Currency conversion	£	-	$	(5,398)
Liability, 31 December 2009	£	30,236,761	$	48,871,677
Offering proceeds, 16 April 2010	£	3,080,443	$	4,904,286
Accrued interest	£	2,305,923	$	3,625,736
Unamortized premium	£	101,171	$	155,600
Currency conversion	£	-	$	(1,830,966)
Liability, 31December 2010	£	35,724,298	$	55,726,333

Capitalized offering costs amounted to $2,036,441 and $1,876,452 (included in other assets) as of 31 December 2010 and 2009 and are being amortized using the effective interest rate method. The unamortized balance at 31 December 2010 and 2009 is $1,749,720 and $1,855,202, respectively.

Note 7 – Forward Foreign Exchange Contract

The Company entered into a forward foreign exchange contract to hedge, in part, the currency risk associated with the pounds sterling contractual liability for the ZDP shares.

The contract provides that we will purchase £40,000,000 on 17 May 2017 for $64,820,000 from the Lloyds Banking Group (Bank of Scotland). The contract further provides that the security interests granted to the bank under the credit facility as described in note 5 also apply to any amounts we may owe the bank pursuant to this contract. As of 31 December 2010 and 2009, the fair value of the forward foreign exchange contract was ($2,548,502) (included in accrued expenses and other liabilities) and $310,010 (included in other assets), respectively, in the consolidated balance sheets.

Note 8 – Income Taxes

The Company is exempt from Guernsey tax on income derived from non-Guernsey sources. However, certain of its underlying investments generate income that is subject to tax in other jurisdictions, principally the United States. The Company has recorded the following amounts related to such taxes:

	31 December 2010		31 December 2009	
Current tax expense	$	1,015,800	$	132,035
Deferred tax expense (benefit)		2,112,471		(2,781,148)
Total tax expense (benefit)	$	3,128,271	$	(2,649,113)

	31 December 2010		31 December 2009	
Gross deferred tax assets	$	4,866,958	$	4,566,984
Less valuation allowance		4,785,468		3,114,218
Net deferred tax assets		81,490		1,452,766
Gross deferred tax liabilities		2,989,738		2,253,151
Net deferred tax liabilities	**$**	**2,908,248**	**$**	**800,385**

Current tax expense is reflected in net realized gains and deferred tax expense (benefit) is reflected in net changes in unrealized gains on the consolidated statements of operations. Net deferred tax liabilities are related to net unrealized gains and gross deferred tax assets, offset by a valuation allowance, are related to unrealized losses on investments held in entities that file separate tax returns.

The Company has no gross unrecognized tax benefits. The Company has been audited by the IRS for the tax year ended 30 November 2007; the audit resulted in no change to the tax the Company reported. The years subsequent to 2007 remain subject to examination.

Note 9 – Earnings (Loss) per Share

The computations for earnings (loss) per share for the years ended 31 December 2010 and 2009 are as follows:

	For the Years Ended 31 December			
	2010		2009	
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$	46,069,110	$	56,136,204
Divided by weighted average shares outstanding for Class A and Class B shares of the controlling interest		51,048,666		51,219,046
Earnings (loss) per share for Class A and Class B shares of the controlling interest	**$**	**0.90**	**$**	**1.10**

Note 10 – Treasury Stock

The Company has adopted a liquidity enhancement policy that is intended to enhance and strengthen the liquidity in the trading of the Company's class A shares. The Company previously entered into a liquidity enhancement agreement on 21 July 2008 with ABN AMRO Bank N.V. London Branch ("ABN") which was amended on 9 January 2009, 14 April 2009 and 29 June 2009. The company has extended that program through a renewal of the contract with The Royal Bank of Scotland N.V. ("RBS") on 29 June 2010. Such agreement provides the parameters and requirements for the Company's liquidity enhancement policy.

Under the agreement, RBS has sole discretion, in the name and for the account of the Company and subject to all applicable legal and regulatory requirements, to effect class A share repurchases and sales of class A shares held in treasury on Euronext Amsterdam within the parameters set out in the agreement. Shares repurchased by the Company will either be cancelled or held in treasury (provided that the Company shall not at any time hold class A shares in treasury representing more than 10 percent of its issued class A shares). Shares will not be sold out of treasury at a price which is lower than the last published net asset value per share.

The aggregate number of class A shares which may be purchased in accordance with the agreement is subject to a maximum of 12.5 percent of the total number of class A shares outstanding as of 21 July 2008, or 6,776,250 shares, unless the Company elects to increase such maximum, subject to any limits to the authority granted to the Company by its shareholders to effect share repurchases. The Company currently has shareholder authority to repurchase in the market up to 14.99 percent of its issued shares.

The maximum price which may be paid for a share is an amount equal to the higher of (i) the price of the last independent trade and (ii) the highest current independent bid price for shares on Euronext Amsterdam.

The agreement shall remain in force until 28 June 2011 subject to extension at the election of the Company. The agreement may, however, be terminated at any time by either the Company or RBS.

Further to the liquidity enhancement policy and subject to any limitations set forth therein, the Company and RBS entered into a Share Buy Back Agreement on 21 October 2010, whereby NBPE appointed RBS to effect on market share repurchases of class A shares on behalf of NBPE. Pursuant to and during the term of the Share Buy Back Agreement, RBS may independently of, and without influence by the Company, purchase Shares from time to time at its absolute discretion provided that such purchases comply with the maximum price parameters described above and certain other parameters set forth in the Share Buy Back Agreement. The Share Buy Back Agreement is set to expire on August 31, 2011, subject to extension.

The following table summarizes the Company's issued shares at 31 December 2010 and 2009.

	31 December 2010	31 December 2009
Class A shares outstanding	50,732,825	51,059,592
Class B shares outstanding	10,000	10,000
	50,742,825	51,069,592
Class A shares held in treasury - number of shares	3,150,408	3,150,408
Class A shares held in treasury - cost	$ 9,248,460	$ 9,248,460
Class A shares repurchased and cancelled - number of shares	326,767	-
Class A shares repurchased and cancelled - cost	$ 2,302,094	$ -

NB Private Equity Partners Limited

Notes to Financial Statements

31 December 2010 and 2009

Note 11 – Financial Highlights

Per share operating performance (based on average shares outstanding during the year)		**2010**		**2009**
Beginning net asset value 1 January	$	9.46	$	8.20
Stock repurchased and cancelled		0.02		-
Treasury stock purchased		-		0.18
Net increase in net assets resulting from operations:				
Net investment income (loss)		(0.31)		(0.23)
Net realized and unrealized gain (loss)		1.21		1.31
Ending net asset value 31 December	**$**	**10.38**	**$**	**9.46**

Total return (based on change in net asset value per share)	**2010**	**2009**
Total return before carried interest	9.83%	15.38%
Carried interest	0.06%	-
Total return after carried interest	**9.77%**	**15.38%**

Net investment income (loss) and expense ratios (based on weighted average net assets)	**2010**	**2009**
Net investment income (loss)	(3.20%)	(2.77%)
Expense ratios:		
Expenses before interest and carried interest	3.53%	2.77%
Interest expense	0.13%	0.61%
Carried interest	0.01%	-
Total	**3.67%**	**3.38%**

Individual shareholder returns may differ from the ratios presented based on differing entry dates into the Company.

Note 12 – Commitments and Contingencies

In the normal course of business, the Company enters into a variety of undertakings containing a variety of warranties and indemnifications that may expose the Company to some risk of loss. The amount of future loss, arising from such undertakings, while not quantifiable, is not expected to be significant.

Note 13 – Subsequent Events

There have been no subsequent events through 9 March 2011, the date of the independent auditor's report that requires recognition or disclosure in the consolidated financial statements.