NBNK INVESTMENTS PLC

Annual Report and Financial Statements
For the year ended 31 December 2011
Registered number: 7303316

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NBNK Investments plc Registered number: 07303316

Chairman's and Chief Executive Officer's review

NBNK was set up to respond to the need for a new competitor in the retail banking market. We were encouraged by a number

of institutional investors who were prepared to support the proposal and were able to assemble a highly experienced Board of

Directors and an excellent management team.

During 2011 we pursued a number of opportunities to create a safe, secure, ring-fenced UK focused retail bank. We made several bids that, if accepted, would have been in the interests of our shareholders and the Company's broader stakeholder

group. By the end of the year none of our bids had been accepted – either because we could not reach agreement on price or

because of extended vendor timetables.

Following Lloyds Banking Group's (LBG) announcement early in 2011 that it wished to accelerate the Verde sales process, we

made a number of proposals within the timetable and process required. By the end of the year, however, another party had

been afforded 'preferred bidder' status. We believe that LBG had overlooked the relative attractiveness of our offer and are

pleased, at date of writing, that we have been asked to represent our credentials.

Due to constraints placed on our ability to participate in the sale of Northern Rock, imposed by Northern Rock plc, we entered

the sale late in the process and we decided to make our bid dependent upon a successful outcome in the Verde sale. The

We undertook detailed analysis of other UK based opportunities, notably National Australia Bank's Clydesdale and Yorkshire

Government's timetable and a higher offer from another party resulted in Northern Rock being sold to that other party.

Banks. That work and the discussions that followed did not result in a transaction which we would have been able to

recommend to our shareholders.

We want to say a few words about how we went about our work in 2011. NBNK is a unique venture. Together with the Board,

we were clear from the outset that the right balance needed to be struck between preparing professional, comprehensive bids

which established NBNK as a credible high street challenger bank, while managing shareholders' funds effectively.

We recruited a small core team of highly qualified specialists, who were asked to make a serious commitment to NBNK in

circumstances where success and long term security was by no means guaranteed and it is to the credit of all our permanent staff, contractors and external advisers alike who have contributed, and in some cases still continue to contribute, so

enthusiastically to the objectives of the Company.

We resourced our bidding activities on a flexible, scalable basis. We achieved the objective of submitting a number of

extremely high quality bids while conserving shareholders' funds as far as possible. In this way, we have been able to continue to pursue the Company's objective in 2012 in an efficient and cost-conscious manner and to keep the quantum of our loss in

2011 down to £23.3m (2010: loss of £1.3m) before depreciation, amortisation, share based payments and movement in

derivative financial instruments.

We have produced bids of the very highest calibre and produced a proposition which we believe is capable of altering the

landscape of high street retail banking for all generations of customers.

Lord Levene of Portsoken KBE

Chairman

Gary Hoffman

Chief Executive Officer

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The Board

Lord Levene of Portsoken KBE (Chairman)

Peter Levene started his career in the Defence Industry. Subsequently, he was appointed as Permanent Secretary in the Ministry of Defence in the role of Chief of Defence Procurement, a position which he held for six years. He thereafter held a number of Government posts, as Advisor to the Secretary of State for the Environment; to the President of the Board of Trade; and to the Chancellor of the Exchequer. He was appointed as Advisor to the Prime Minister on Efficiency and Effectiveness from 1992 to 1997. During this period, he also served as Chairman of the Docklands Light Railway and then Chairman and Chief Executive of Canary Wharf Ltd.

He served as an Alderman of the City of London from 1984 to 2012, served as Sheriff from 1995-96 and then as Lord Mayor of London for the year 1998-99. He received a knighthood in 1989 and became a life Peer in July 1997.

Later he became Vice Chairman of Deutsche Bank in the UK. In 2002 he was elected as Chairman of Lloyd's, the world's leading insurance market, a post he held for 9 years until 2011. Peter Levene currently also holds four non-executive directorships, as Chairman of General Dynamics UK Limited and on the boards of Haymarket Group Ltd, China Construction Bank and Eurotunnel. He is a Member of the House of Lords Select Committee for Economic Affairs.

Sir David Walker (Deputy Chairman and Senior Independent Director)

Sir David Walker is a senior advisor to Morgan Stanley International where he previously held the position of Chairman and Chief Executive. Sir David was formerly an Executive Director of the Bank of England, Chairman of the Securities and Investment Board (precursor of the FSA), a Deputy Chairman of Lloyds Bank and Vice Chairman of Legal and General. He is a member of the Group of Thirty and has undertaken public reviews on the LMX reinsurance spiral (1992), disclosure and transparency in private equity (2007) and governance in financial institutions (2009).

Lord Brennan of Bibury QC (Non-executive Director)

Lord Brennan is a member of the House of Lords. In 1999 he was Chairman of the Bar of England and Wales. He is also Chairman of the Caux Round Table Global Governing Board, Chairman of Juridica Investments Limited, Chairman of Omega Business Solutions Pvt Limited and Vice Chairman of AJ Prospekt Capital Limited. His special interests include international development and financial and corporate governance, in particular in connection with the recent financial crisis.

Lord Forsyth of Drumlean (Non-executive Director)

Lord Forsyth is a member of the House of Lords and sits on the Select Committee on Economic Affairs. He was MP for Stirling from 1983 until 1997. He served in Government for more than 10 years as Secretary of State for Scotland, as a Minister of State at the Home Office and Department of Employment and as Parliamentary Private Secretary to the Foreign Secretary.

Lord Forsyth was until April 2012 Deputy Chairman of Evercore Europe Investment Banking. Before joining Evercore he was a Director of Corporate Finance at Flemings, Vice Chairman Investment Banking Europe at JPMorgan and Deputy Chairman at JPMorgan UK. He is a Non-executive Director of J&J Denholm Ltd and of the Centre for Policy Studies and from October 2005 to October 2006 he chaired the Tax Reform Commission.

Lord McFall of Alcluith (Non-executive Director)

Lord McFall is a member of the House of Lords. He was MP for West Dunbartonshire from 1987 until he retired at the 2010 General Election. During that time he held various positions in both opposition and as a Government Minister and, from 2001 to 2010, was Chairman of the Treasury Select Committee. His parliamentary interests are foreign affairs and international development and at a local level, regeneration and community development.

Gary Hoffman (Chief Executive Officer)

After graduating from the University of Cambridge, where he read Economics, Gary's career began at Barclays when he joined the graduate trainee scheme in 1982. Throughout his time with Barclays he had responsibility for service and sales to Barclays' retail customers in the UK. Gary set up Barclaycall, (the telephone banking service) and launched the company's internet banking service. He held several senior and Board-level customer focused roles at Barclays, which included responsibility for

UK Banking and Barclaycard. Gary was latterly Vice-Chairman of Barclays plc from 2006-08, before agreeing to take on one of the toughest challenges in retail banking when he joined Northern Rock in 2008 as Chief Executive and was responsible for its rescue, stabilisation and restructure. In July 2008 Gary received an Honorary Doctorate from the University of Northampton, having been made a Visiting Professor in 2007. Gary is a non-executive director of Trinity Mirror and has been appointed the Independent non-executive Chair of the Football Foundation.

Corporate Advisers

Registered office

Fifth Floor

100 Wood Street

London EC2V 7EX

Company number: 07303316

Principal place of business

5th Floor

One Angel Court

London EC2R 7HJ

Phone: 020 7600 1444

Nominated Advisers

Cenkos Securities plc 6.7.8. Tokenhouse Yard

London EC2R 7AS

Company Secretary

Law Debenture Corporate Services Limited

Fifth Floor 100 Wood Street

London EC2V 7EX

Financial Advisers

Kinmont Advisory 5 Clifford Street

London W1S 2LG

UBS

1 Finsbury Avenue

London EC2M 2AN

The Royal Bank of Scotland

280 Bishopsgate

London EC2M 4RB

Solicitors

Travers Smith LLP 10 Snow Hill London EC1A 2AL Slaughter & May One Bunhill Row

London EC1Y 8YY

PR Advisers

Pelham Bell Pottinger

5th Floor Holborn Gate London WC1V 7QD

Registrars

Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA

Auditors

W1U 7EU

BDO LLP 55 Baker Street London

Advising accountants

KPMG

8 Salisbury Square

London EC4Y 8BB

Bankers

Coutts & Co 440 Strand London WC2R 0QS

HSBC Bank plc

Financial Services Team West End Commercial

Second Floor 16 King Street London WC2E 8JF

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2011. The Company, which is listed on AIM, has one non-trading subsidiary. Therefore, the financial statements at pages 19 to 35 relate to the Company's activities alone.

Share capital

The Company has issued 50,050,000 ordinary shares of 10 pence each. This constitutes the total voting rights. In addition, certain warrants were created and (in some cases) issued at listing as follows:

- Placee warrants issued pro rata to institutional shareholders at listing to an aggregate total of 7.4% of the fully diluted share capital at a subscription price of 100 pence per share. The warrants are transferable and can be exercised at any time up until 31 August 2020. There have been no exercises to the date of this report;
- Placee B warrants issued to the directors and certain others at listing up to a maximum of 0.08% of the fully diluted share capital at a subscription price of 100 pence per share. The exercise period is as described above. Details of the Placee B warrants issued to the directors are included within the Directors' Remuneration Report at page 16;
- Founder warrants the Remuneration Committee may award Founder warrants to Lord Levene, Kinmont Advisory (financial advisor) and Cenkos Securities plc (NOMAD and broker) up to an aggregate of 2.5% of the fully diluted share capital at a subscription price of 130 pence per share. The exercise period is as described above. One grant of Founder warrants was made to Lord Levene in the year; details are included within the Directors' Remuneration Report on page 15.

The Company's shares were suspended on 6 September 2011 (when the price was 90.5 pence per share) following speculation about acquisition discussions. The shares remain suspended at the date of this report.

Business review

The directors of the Company who served in the year are:

Lord Levene of Portsoken KBE; Lord Brennan of Bibury QC; Lord McFall of Alcluith;
Sir David Walker;
Lord Forsyth of Drumlean; and
Gary Hoffman (appointed 1 May 2011)

The Company was established to try and launch a new UK retail and SME banking and savings operation.

The directors' strategy has been to focus on the UK market, initially in the retail banking and SME areas but, over time, with an intention to expand into retail wealth management. UK domestic banking and wealth management have historically produced a high return on equity and a relatively low volatility earnings profile. Domestic returns for the larger UK banks at group level have typically been diluted by overseas expansion and involvement in more volatile business areas such as investment and wholesale banking. The Company has focused on acquisitions as the means of commencing and scaling its banking operations in the UK and has attempted to acquire one or more established, high quality banking businesses, to be funded by further substantial fundraisings via a premium listing on the London Stock Exchange. The strategy has been to build a business that would represent approximately 4-6% of the UK banking market with a branch network of some 400-600 branches across the UK, with a focused regional strategy for Scotland, England and Wales.

The net proceeds of the Company's AIM listing have been used to build a platform from which the Company could make credible and serious bids to acquire substantial banking sector assets.

Gary Hoffman acted as Chief Executive Designate until his formal appointment to the Board on 1 May 2011 when he became Chief Executive. Working with the management team that he had put together, the focus during much of the year was on the preparation of bids to acquire assets.

The main focus through the year was on the detailed work necessary to present a comprehensive and credible bid for the Lloyds Banking Group assets known as 'Project Verde'. The Company was successful in getting through 'Round 1' of the bid process and then embarked on very significant due diligence and strategic planning work to hone a competitive 'Round 2' bid. As has been widely reported, Lloyds Banking Group ultimately chose to give exclusivity to a bid from another party on the grounds that it was better placed to deliver execution of the acquisition

than NBNK. The Board would vigorously dispute that conclusion, but the fact remains that, notwithstanding the extremely thorough and professional bid that had been submitted, ultimately it was unsuccessful.

Following the removal of constraints on the Company to participate in the sale of Northern Rock plc, a bid was made by the Company in October 2011, dependent upon a successful outcome in the Verde sale. The Government's timetable and a higher offer from another party resulted in Northern Rock being sold to that other party.

The Board has also during the year been mindful of other prospective acquisitions and the Executive team were engaged on ensuring that the Company progressed fully any other opportunities that may have arisen.

Work on the bids involved a great deal of careful planning and analysis. The Executive team, engaged on contracts that provide for relatively short notice severance should an acquisition not be forthcoming, were supplemented by third party advisers on fixed contract terms and by temporary expert staff, also engaged on fixed terms that allowed for non punitive severance. Thus, while the Company quickly scaled up to resource its bids, it was able quickly to scale down again following the Lloyds Banking Group decision, with the cost base reduced to a bare minimum of circa. £400,000 per month.

Since the Company's strategy is dependent upon acquisitions, the directors will keep under review the long term prospects for the Company and, should it become clear that no substantial acquisition is achievable, they will resolve that the Company should be wound up and its remaining assets returned to shareholders.

At date of writing, the Company has re-engaged in dialogue with Lloyds Banking Group and the progress of these discussions will be a key determinant of the Company's future prospects.

Corporate Governance

The directors support high standards of corporate governance and have strived, insofar as practicable given the Company's size and nature, to comply with the UK Corporate Governance Code. The directors believe that, in substantial part, they have been able to operate the Company in compliance with the Code. Accordingly, a Corporate Governance Report is set out at pages 9 to 12 and a Directors' Remuneration Report at pages 13 to 16,

both of which are deemed to be incorporated as part of this directors' report.

Key performance indicators ('KPIs')

The principal financial KPI is the rate at which the Company is spending the listing proceeds. The directors monitor closely the management accounts of the Company to ensure that expenditure is proportionate and consistent with the Company's strategy. Suitable controls are in place to enable the directors to respond quickly to changes in the Company's circumstances. There is regular dialogue with shareholders, reflecting the Board's desire to keep them assured that their investment is being properly managed.

The principal non-financial KPI is the Company's progress towards an acquisition. The Board continuously monitors discussion progress and the chairman is personally and actively involved in all aspects of the discussions.

Dividend policy

Subject to an acquisition, the Company would seek to build up its operations during its first two to three years, during which time it is unlikely that the Company will pay dividends. Thereafter, and subject to compliance with the Companies Act 2006 and regulatory capital requirements, it would be the intention of the directors to pay dividends on the basis of a progressive dividend policy.

Principal risks and uncertainties

The principal risk for the Company is that its acquisition strategy fails. Should this be the case, the directors will resolve that the Company should be wound up and its remaining assets returned to shareholders.

The Board has developed a matrix of the principal risks that face the Company leading up to and immediately post any acquisition. Appropriate controls are in place to manage those risks and the Company has in place the resources necessary to manage acquisition negotiations effectively so that the Company can hit the ground running, once its first acquisition has been secured.

Directors' shareholdings

Beneficial interests in the ordinary shares of the Company as at 31 December 2011 are set out in the Directors' Remuneration report at page 16.

Substantial shareholdings

The directors are aware of the following existing shareholders of the Company who hold an interest, either directly or indirectly, in 3% or more of the issued share capital of the Company as at 21 May 2012:

Name	% of issued share capital held
Invesco Asset Management	29.50
Aviva Investors Global Services	11.60
Bailie Gifford & Co	9.60
Och Ziff Management	9.40
F & C Asset Management	9.00
Goldman Sachs International	8.00
BlackRock Investment Management (UK)	6.50
Apollo Nominees	5.90
Cenkos Channel Islands	3.60

Other shareholding disclosures

The Company is not aware of any person or entity who, directly or indirectly, jointly or severally, would or could exercise control over the Company and there are no arrangements in place, the operation of which could result in a change of control of the Company.

There are no loans or guarantees granted or provided by the Company to or for the benefit of any of the directors.

Directors' conflicts of interest

The directors are under a statutory duty to avoid conflicts of interest. The Board has established procedures to deal with conflicts and potential conflicts, which includes an annual review of the Board's conflicts registers. Each director has declared all matters that might give rise to a potential conflict of interest and these have been considered and, as required, approved by the Board. In the opinion of the directors, the procedures on managing conflicts of interest are working effectively.

No director has or has had any interest in any transaction with the Company which is or was unusual in its nature or conditions or significant to the business of the Company and effected during the year under report.

Shareholder relations

The Company has a relatively small number of shareholders. In addition to the regulatory obligations to keep shareholders informed of developments through general announcements, the Company's NOMAD maintains dialogue and communication between the Board and shareholders. The chairman and chief executive have attended meetings many shareholders and make themselves freely available for dialogue on request. Shareholders (including shareholders within nominee companies where the nominee has made appropriate arrangements) receive a copy of the annual report and of any interim and half yearly statements. The Company intends to communicate with shareholders principally by electronic means but shareholders may 'opt in' to receipt of hard copy reports etc published by the Company. Shareholders have access to the chairman or if they prefer to the senior independent director, Sir David Walker, should they wish to discuss any matters of concern.

Employee participation

The Company has introduced a number of long term employee share schemes in anticipation of engaging senior staff. The details of these schemes are set out in full in the admission document and comprise options and a performance share plan for executives and SAYE and SIP arrangements to operate on an all-employee basis. Any awards made under the schemes will be published in the Directors' Remuneration Report.

Corporate Social Responsibility and Sustainability

The Company has not yet adopted policies on corporate social responsibility and sustainability, but will do so when its activities warrant.

Charitable donations

The Company has not made any charitable donations to date. Following an acquisition, the directors may consider the establishment of a Charitable Foundation or similar.

Political donations

The Company has not made any payments or donations that would be classified as political donations and does not intend to seek shareholder approval in the immediate future to make such payments or donations.

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy

at any time, the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 2006. The directors are responsible for preparing the annual report and financial statements in accordance with the Companies Act 2006. The directors have elected to prepare financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial period under report, the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the IFRS 'framework for the preparation and presentation of financial statements'. A fair presentation requires the directors to:

- Consistently select and apply appropriate accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

Statement of information given to auditors

The directors have confirmed that so far as they aware, there is no relevant audit information of which the Company's auditors are unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of going concern

The directors have disclosed the current status of the Company. Other than interest income, it is not producing revenues and its future success relies on the ability to secure an acquisition of banking assets. In the event that no such acquisition is achieved, the directors will determine whether it is appropriate for the Company to continue its activities and will review the situation when the outcome of the Lloyds Banking Group process is clear. The Company remains able to meet its liabilities as they fall due. The directors closely monitor the cash resources of the Company and its contractual commitments and have resolved that should the Company not fulfil its objectives, then a solvent liquidation would take place.

Shareholders accepted, when the Company listed on AIM, that there was a risk of the Company not being able to succeed in its strategy, in which event, they would not receive back the full value of their original investment.

Notwithstanding the material uncertainties in respect of the future direction of the Company, the directors have concluded that it is appropriate for the Company's accounts to be prepared on a going concern basis.

Auditors

A resolution will be proposed at the annual general meeting to re-appoint BDO LLP as auditors for the time being.

By Order of the Board Law Debenture Corporate Services Limited Company Secretary 21 May 2012

Corporate Governance

The directors have resolved to comply with the provisions of the UK Corporate Governance Code (the 'Code') to the maximum extent practicable, notwithstanding the Company's status as an AIM listed Company.

The following paragraphs set out how the Company has applied the main and supporting principles in the Code and explain, where appropriate, circumstances where it has not been possible to comply. The relevant version of the Code is that published in June 2010, applicable to reporting periods beginning on or after 29 June 2010. This corporate governance statement forms a part of the directors' report.

Board leadership

The Board is comprised of two executive directors (the Chairman and the Chief Executive Officer) and four non-executive directors ("NEDs"). Under the leadership of the chairman, Lord Levene, the Board operates in a consensual, open manner. There is a formal schedule of matters specifically reserved for the Board, which includes responsibility for strategy, financial performance (including treasury oversight), legal matters affecting the Company, communications with shareholders and overall policy matters.

The Board meets at least monthly and all directors strive to attend all meetings. The attendance record for each director is set out at page 11.

Until 17 October 2011, the chairman spent at least one day each week on the business of the Company and since that date, three days per week. He was the driving force behind the advent of the Company and acting with his fellow directors, has set out the Company's strategic aims. All directors are provided with regular updates on the key developments of the Company and have access at all times to the chairman, the deputy chairman and the executive team. Active participation by the NEDs is encouraged at Board meetings and is forthcoming.

The NEDs bring with them a wealth of banking, political and legal experience. Each of them is committed to the strategic aims of the Company, but has the independence of character to scrutinise the performance of the Company's staff and advisers and where necessary, to ask searching questions. The Senior Independent Director is Sir David Walker.

Board independence

All of the NEDs were independent at appointment and remain so. Lord Levene was not independent at appointment because he is an executive.

Board effectiveness

The Board is of proportionate size and expertise to manage the Company's activities. It has the right balance of skills, experience, independence and knowledge to deliver the Company's strategic aims. When it becomes appropriate to change the Board's composition, the Nominations Committee will conduct a thorough search consistent with good governance requirements to ensure that future appointments are made on merit, against objective criteria, recognising the benefits to be had through diversity on the Board.

On appointment, each director signed a responsibility statement prior to listing and they all acquired appropriate knowledge of the Company and their obligations as NEDs as part of that process. There is a programme of continuing training in place and the directors have attended a mixture of group and individually tailored training sessions on relevant matters. The NEDs have access to the company secretary for advice on corporate matters and to ensure satisfactory information flows. They also have access to independent professional advice at the Company's expense and the Company has arranged appropriate insurance cover in respect of legal action against its directors.

The Board has implemented annual appraisal procedures so that its own performance and that of its committees, the chairman and individual directors can be assessed and monitored in accordance with Code requirements. The chairman formally appraised each director and personally led a review of the Board and committee performance, the results of which were discussed at a Board meeting. Separately, the directors met without the chairman to discuss the chairman's performance and the results of that meeting were conveyed to the chairman by the SID.

All directors are subject to annual re-election by shareholders.

There are engagement letters in place governing the appointment of each director, further details of which are set out in the Directors' Remuneration Report. It is a term of their engagement that directors make available sufficient time to commit to the duties expected of them.

Board committees

The Board has established audit, remuneration, nomination and risk committees. Following an acquisition, it will be necessary to establish other committees and to review the terms of reference of the existing committees to ensure that the Company is fully in compliance with the Walker Review.

Each committee has terms of reference, which are published on the Company's website at http://nbnkinvestmentsplc.co.uk. All members of the committees are independent NEDs, except for the Nominations Committee which is chaired by Lord Levene. A summary of each committee is set out below.

Audit Committee

Members

Lord McFall (Chairman)

Lord Brennan

Lord Forsyth

Sir David Walker

Role

The Audit Committee is responsible for:

- Monitoring the integrity of the financial statements of the Company, setting accounting policies, etc;
- Reviewing the effectiveness of the Company's internal controls and risk management systems;
- Reviewing arrangements for whistleblowing and fraud detection:
- Monitoring and reviewing the effectiveness of internal audit processes and management's response to any findings; and
- Overseeing the appointment and resignation of external auditors and managing the relationship, including reviewing findings of audits, etc.

The report of the Audit Committee on its activities during the year is as follows:

The Committee met three times during the year and took the following decisions:

- Review and approval of annual report and financial statements (including a meeting with the auditors to review the audit findings and a review of non-audit services to ensure that independence was maintained);
- Consideration of the Company's long term audit requirements – in principle, the Company would

consider continuing to use a 'non-Big Four' auditor, but this would need to be subject to that firm being able to provide the resource necessary to audit a fully functioning bank;

- Review and approve the half yearly report to AIM; and
- Considered certain technical and accounting issues connected with the Company's Warrants.

Non-audit fees are shown at note 2 to the accounts. The Company's policy is that non-audit work can be carried out by the Company's auditors unless there is a conflict of interest or someone else is considered to have more relevant experience.

Remuneration Committee

Members

Sir David Walker (Chairman)

Lord Brennan

Lord Forsyth

Lord McFall

Role

- To make recommendations to the Board about remuneration of the Company's chief executive, chairman, executive directors, chief risk officer and company secretary;
- To determine the Company's remuneration policy, including design and approval of incentive and bonus arrangements, policy for and scope of pension arrangements and for ensuring that the Company's remuneration arrangements have necessary regard for legal requirements, provisions and recommendations of the Code and the relevant listing rules;
- Overseeing major changes in employee benefit structures;
- Appointing remuneration consultants; and
- Obtaining relevant and up to date information about remuneration in other, similar companies.

A Directors' Remuneration Report is set out at pages 13 to 16.

The report of the Remuneration Committee on its activities during the year is as follows:

The Committee met seven times during the year to consider the following matters:

- The grant of Founder Warrants;
- Remuneration arrangements for the chairman;
- Evaluation of the chairman's performance;
- Appointment of principal adviser on remuneration matters; and
- Consideration of proposals regarding the design of a senior executive remuneration framework, applicable following a successful acquisition.

Nominations Committee

Members

Lord Levene (Chairman)

Lord Brennan

Lord Forsyth

Lord McFall

Sir David Walker

Role

- Reviewing the structure, size and composition of the Board and making recommendations for changes;
- Succession planning, identification and nomination (for Board approval) of candidates to fill Board vacancies;
- Establishment of procedures to evaluate the skills knowledge and experience necessary for a particular appointment and managing the process of appointing new directors through to and including ensuring that formal letters of appointment are issued; and
- Recommending to the Board plans for succession for both executive and non-executive directors including in particular the key roles of chairman and chief executive, the senior independent director and changes to membership of the audit and remuneration committees.

The Committee did not meet during the year.

Risk Committee

Members

Sir David Walker (Chairman)

Lord Brennan

Lord Forsyth

Lord McFall

Role

 Advising the Board on risk management and risk appetite to assist the Board in setting future strategy;

- Providing the Remuneration Committee with qualitative and quantitative advice on risk weightings to be applied to performance objectives;
- Making appropriate recommendations to the Board on the Company's risk strategy and policies taking into account the current and prospective macroeconomic and financial environment and drawing on financial stability assessments published by the Bank of England, the FSA and other sources;
- Reviewing the effectiveness of the Company's risk management infrastructure by establishing stress and scenario testing procedures;
- Reviewing the Company's credit risk, market risk, liquidity risk and operational risk exposures;
- Reviewing the appointment, resignation or dismissal of the chief risk officer; and
- Ahead of an acquisition or disposal, ensuring the undertaking of an appropriate due diligence exercise.

The report of the Risk Committee on its activities during the year is as follows:

The Committee met once during the year. It took the following decisions:

- Approval of revisions to the Committee's Terms of Reference, in particular to ensure the independence of the chief risk officer;
- Consideration and approval of the principal risk policy;
- Testing of the central economic forecasts and stress testing scenarios being used by the Executive in the preparation of acquisition bids; and
- Oversight of the Board education programme.

During the year, there was a considerable overlap between the work of the Committee and matters considered at Board level. The Board has considered its risk matrix at each monthly meeting reflecting the importance of the need for risk management. Post an acquisition, the delineation between the Committee and the Board will become more distinct.

Attendance at meetings

	Board	Committees
N° of meetings	20	11
Lord Levene	20/20	n/a
Lord Brennan	19/20	10/11
Lord Forsyth	18/20	11/11

Lord McFall	19/20	11/11
Sir David Walker	17/20	11/11
Gary Hoffman	20/20	n/a

An exceptional number of Board meetings were held, reflecting the high level of activity as bids were prepared and submitted. Those directors not in attendance at any given meeting had all submitted comments in advance. The attendance of Gary Hoffman at meetings prior to his appointment as a director on 1 May 2011 was at the invitation of the Board. The chairman and chief executive were present at all Committee meetings by invitation of the relevant Committee chairman, except when matters of their own remuneration were being discussed.

Accountability and audit

The statement of directors' responsibilities in relation to the financial statements appears on page 7 of the directors' report. The independent auditor's report appears on page 17. The financial statements present a balanced and understandable assessment of the Company's position and prospects. The financial statements have been reviewed by the Audit Committee, then approved by the Board and signed by the chairman. The financial statements are prepared on a going concern basis.

Risk management and internal control

While the Company remains in pre-acquisition mode, the framework of internal controls in place to ensure that the Company complies with the Financial Reporting Council's guidance is relatively simple. The main features of the Company's internal control and risk management systems are as follows:

- The Company's matrix of key risks and the controls in place to mitigate them is reviewed by the Risk Committee and by the Board;
- An internal audit function is available to the Audit Committee as required;
- The Board receives periodic reports from the company secretary and external advisors about legal and regulatory developments and the steps that the Board must take to comply; and
- It reviews reports by the external auditors on the annual audit.

In addition, the Board ensures that:

 Proper accounting records are maintained so that it can rely on financial information it receives to make

- appropriate strategic and business decisions and that the Company's assets are safeguarded; and
- Systematic reporting is made to the Board on matters relating to insurance, taxation, accounting and cash management as well as legal, compliance and company secretarial issues.

The Board believes that the systems of internal risk management and financial controls that is has designed are proportionate and provide reasonable assurance against fraud, mis-management and against material misstatement or loss.

Remuneration

The Company's adherence to the Code provisions on remuneration is described within the Directors' Remuneration Report set out at pages 13 to 16.

Relations with shareholders

The Company's means of keeping shareholders informed is set out in more detail in the directors' report.

The annual general meeting will take place on 27 June 2012 at 9.30am at the Company's registered office and the Board welcomes the attendance of as many shareholders as can be present. Full disclosure of the number of votes cast for and against resolutions will be published on the Company's website. All directors are expected to be in attendance as will be the Company's senior executives and principal advisers. The notice of annual general meeting appears at page 36. The Board believes that the resolutions to be put to shareholders are in the best interests of the shareholders as a whole and, accordingly, recommends that the shareholders vote in favour of the resolutions, as the directors intend to do in respect of their beneficial shareholdings in the Company.

Summary

So far as it able, given the current status of the Company, the directors believe that the Company has complied during the year to 31 December 2011 with the requirements of the UK Corporate Governance Code.

Directors' Remuneration Report

Dear Shareholder

I set out below the Remuneration Report for NBNK Investments plc for 2011. Some of the information in the report is historical, some forward-looking. As with its report on corporate governance, the Board wishes to be as transparent as possible and to meet high standards of governance and disclosure. This Report accordingly as far as possible seeks to meet the disclosure standards of a premium listed company and the principal compliance requirements of Section D of the UK Corporate Governance Code.

1. Remuneration Committee – membership and advisers

The members of the Remuneration Committee and its principal duties are set out at page 10. The members of the Committee are independent, non-executive directors.

The Committee relied on certain external advisers during the year. None of them had any other connection with the Company unless otherwise indicated. The Committee's principal adviser was John Lee of FIT Remuneration Consultants LLP.

2. The Company's remuneration policy

Core elements of the policy formulated by the Remuneration Committee are as follows:

- A. Remuneration packages should be competitive to attract the right calibre of executive, but on the basis of rigorous benchmarking advice, salaries should be broadly in line with average salaries in the banking sector;
- B. The Company will not introduce long-term incentive plans, short term bonus arrangements or other policies that might reward failure or yield benefit to individual employees irrespective of the performance of the Company; and
- C. Notice periods should be kept to a minimum, consistent with normal market practice for senior executives in the banking industry.

In addition, the Company will make use of short term contractors where it is prudent to do so.

The overarching principle is that there should be a clear link between total remuneration and performance. A key ingredient in successful performance will be by the completion of a substantial acquisition. An acquisition is not likely to be deemed 'substantial' unless it delivers a geographically diverse, branch-driven High Street retail banking operation.

3. The Chairman

The chairman was an initial founder of the Company and, prior to the hiring of other staff, was its sole executive. As a founder of the Company, Lord Levene was eligible for a grant of Founder warrants under the terms of the Admission Document at the discretion of the Remuneration Committee in consultation with shareholders. Section 8 below sets out the arrangements that apply.

In terms of his fees as chairman, Lord Levene was paid £15,833 per month for the period from listing to the point that he ceased to be chairman of Lloyd's (14 October 2011) and £33,333 per month thereafter, reflecting an increase in his commitment from one to three days per week.

Lord Levene has a fixed term contract with the Company, expiring on 9 December 2013. Following the expiration of the fixed term, either party can terminate on not less than six months' written notice.

4. The Chief Executive Officer

Gary Hoffman joined the Board as the Company's chief executive officer on 1 May 2011 prior to which he was employed as chief executive designate. The terms of his remuneration are:

Basic Salary - £750,000

Normal benefits (including a 20% supplement in lieu of pension contributions, a car allowance of £10,330 and normal insured benefits).

In addition, as part of his recruitment, the Company paid him £1.85m when his contract commenced largely in reflection of his leaving his previous employer.

He is not entitled to any short term bonus arrangements.

The Company granted him an option on becoming a director (as explained at section 6 below). His service contract requires 12 months notice from either side and reflects mitigation by only providing for payment on termination in respect of fixed remuneration. To protect the cost exposure of the Company if a substantial acquisition is not completed within 18 months of his joining, any sum due on termination will be assessed by reference to only six months' notice.

The Company has agreed that he may retain any fees arising from NED appointments with which the Board has agreed he may continue. This comprises Trinity Mirror plc (paid) and the Football Foundation (unpaid).

5. Remuneration of non-executive directors

Each of the NEDs has entered into a letter of appointment with the Company under which they are paid fees for their services of £50,000 per annum. In the case of Sir David Walker, reflecting his status as SID and the consequent increased call on his time, his fee was increased to £120,000 from 1 June 2011. NEDs may also reclaim travelling expenses.

Each NED is appointed for an initial term of three years, subject to annual re-election by the shareholders, unless terminated earlier by either party upon three months notice in writing. Continuation of the contract of appointment is contingent on satisfactory performance and a NED may have his appointment terminated without notice or compensation in certain circumstances. There are no provisions for compensation payable on early termination of the appointment (save for the three month notice obligation). All NEDs are expected to attend all meetings of the Board and any of the committees on which they serve.

6. Share incentive arrangements (audited)

As described in the Admission Document, the Company has shareholder agreement to introduce a number of long term employee share schemes to facilitate engagement of senior staff. Details of these schemes are set out in full in the Admission Document and comprise the usual suite of options and a performance share plan for executives and SAYE and SIP to operate on an all-employee basis.

To date, the only options granted are to Lord Levene and Gary Hoffman. Lord Levene was awarded 200,000 options on admission to AIM at an exercise price of 10 pence, exercisable at any time between the date that he ceased to be Chairman of Lloyd's of London and 9 December 2013. The fair value of the options as at 31 December 2011 is shown at note 13 to the accounts.

On appointment as a director on 1 May 2011, Gary Hoffman was awarded a share option over 11.5 million shares at an exercise price of 130 pence per share. This will be exercisable as to 1/3 after 3 years from grant, 1/3 after 5 years and the final 1/3 after 6 years and, subject to normal good leaver provisions, is contingent on his continued employment to those dates. The option will be

subject to claw-back provisions in the event that the Remuneration Committee considers that the share price is impacted by information which resulted in the share price being misleading. The option is also contingent on a substantial fundraising and acquisition having been completed within 18 months of his joining.

7. Directors' emoluments for the year ended 31 December 2011 (audited)

	Total salary/fees in	Benefits other	Total receivable for	Total received in
	2011	than cash	2011	2010
	£	£	£	
Lord Levene	304,627	-	304,627	47,499
Lord Brennan	50,000	-	50,000	18,205
Lord Forsyth	50,000	-	50,000	18,205
Lord McFall	50,000	-	50,000	18,205
Sir David Walker	90,833	-	90,833	18,205
Mr C McCreevy*	-	-	-	5,705
Mr G Hoffman **	910,330	2,612	912,942	-
Total	1,455,790	2,612	1,458,402	126,024

In line with Company policy, no short term bonus payments were made to any member of the Board.

As at 31 December 2011, the directors were the key management personnel (defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company). Their compensation is set out above. Total employer's national insurance contributions of £447,853 were paid. In addition to these amounts, there were share based payments in the income statement totalling £844,183.

8. Founder warrants (audited)

The Admission Document stated that the Board had delegated authority to the Remuneration Committee to grant Founder warrants over, in aggregate, up to 2.5 per cent. of the Fully Diluted Share Capital (as defined in the Admission Document), exercisable at 130 pence per share.

Lord Levene was granted Founder Warrants entitling him to subscribe for 0.7278 per cent. of the Fully Diluted Share Capital. Lord Levene has indicated that he would undertake only to exercise the warrants (i) on successful completion of a substantial acquisition by the Company and the listing of the Company's shares on the Official List and (ii) only in respect of up to 5.75 million shares (or 0.7278 per cent. of the Fully Diluted Share Capital, if resulting in a lower number of shares). Further, Lord Levene has indicated that he would undertake (i) not to dispose of any shares issued on exercise of such warrants for a period of 3 years from such listing and (ii) that he would retain at least 500,000 of such shares for so long as he remains chairman.

Kinmont Advisory and Cenkos Securities Plc may also receive Founder warrants (although no grant has been made to date) entitling them each to subscribe for 0.8861 per cent. of the Fully Diluted Share Capital. Each has indicated that they would be prepared to undertake to the Company on the same terms as Lord Levene (as outlined above) save that they would undertake to exercise the warrants only in respect of up to 7 million shares (or 0.8861 per cent. of the Fully Diluted Share Capital, if resulting in a lower number of shares), and they would not be required to retain a minimum of shares (other than on account of the three year lock-in following the listing).

The Committee considers that, if granted on the above terms, these warrants would result in significantly less dilution than envisaged in respect of the Founder warrants at the time the Admission Document was published.

^{*} for the period 20 August 2010 to his resignation on 7 October 2010.

^{**} as disclosed in paragraph 4 above, Gary Hoffman received a payment of £1,852,161 when his contract commenced.

9. Directors' shareholdings

The directors of the Company have beneficial interests in the Company's ordinary shares as follows:

	Ordinary shares	Placee B Warrants **
		<u>%</u>
Lord Levene	100,000	0.015
Lord Brennan	50,000	0.007
Lord Forsyth	* 50,000	0.007
Lord McFall	20,000	0.003
Sir David Walker	100,000	0.015
Mr G Hoffman	-	-

^{*} Lord Forsyth's ordinary shares are held by A J Bell (PP) Trustees Limited, as trustees of Lord Forsyth's self-invested pension plan.

10. Approval of report

The Committee considers that the various components of the directors' remuneration set out above combined to produce an overall package that achieves an appropriate alignment between the interest of the directors and those of the shareholders and the Company.

The Director's Remuneration Report was approved for issue by the Board on 21 May 2012 and signed on behalf of the Board by:

Sir David Walker

Chairman of the Remuneration Committee

^{**} The warrants set out above were issued on the initial subscription for shares on substantially the same terms as the warrants issued to institutional investors on the placing. They are immediately exercisable at a subscription price of £1 per share, are transferable and remain exercisable until 31 August 2020. They represent rights to subscribe for such shares as represent such percentage of the fully diluted share capital of the Company in the period to 20 February 2013. The fair value of the warrants at 31 December 2011 is set out at note 15 to the accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NBNK INVESTMENTS PLC

We have audited the financial statements of NBNK Investments PIc for the year ended 31 December 2011 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

The directors have voluntarily chosen to include a corporate governance and going concern statement in the annual report detailing the extent of compliance with the UK Corporate Governance Code in accordance with the requirements of the Listing Rules of the Financial Services Authority ("the Listing Rules").

The directors have also voluntarily chosen to comply with certain requirements of the Listing Rules and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports Regulations) 2008 made under Section 421 of the Companies Act 2006 ("Schedule 8").

Our responsibility is to audit and express an opinion on the corporate governance statement, the statement in relation to going concern and the directors' remuneration information contained in the directors' remuneration report as if the company were a Listed company.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended:
- · have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- · the financial statements are not in agreement with the accounting records and returns; or
- · certain disclosures of directors' remuneration specified by law are not made; or
- · we have not received all the information and explanations we require for our audit.

Other Matters

Under our additional responsibilities referred to above we are required to review:

- the directors' statement, set out on page 8, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and certain elements of the report to shareholders by the Board on directors' remuneration.

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Daniel Taylor (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU
United Kingdom

21 May 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement

for the year ended 31 December 2011

	Notes	Year ended 31 December 2011	Period ended 31 December 2010
		£000	£000
Interest income	3	310	125
Administrative expenses	2	(24,589)	(1,514)
Operating loss		(24,279)	(1,389)
Decrease / (increase) in fair value of derivative financial liabilities	15	1,238	(424)
Loss before taxation		(23,041)	(1,813)
Taxation	4	-	-
Loss for the year		(23,041)	(1,813)
Loss per share (pence) - basic	5	(46.04)	(4.95)

Statement of comprehensive income for the year ended 31 December 2011

	Year ended 31 December 2011 £000	Period ended 31 December 2010 £000
Loss for year and total comprehensive loss for the year	(23,041)	(1,813)

The notes at pages 23 - 35 form part of these financial statements.

Statement of financial position

as at 31 December 2011

	Notes	31 December 2011	31 December 2010
		£000	£000
Assets			
Non current assets			
Property, plant and equipment	6	223	138
Other intangible assets	7	7	8
Total non current assets		230	146
Current assets			
Other accrued income and prepaid expenses		175	70
Cash and cash equivalents	8	26,412	47,280
Total current assets		26,587	47,350
Total assets		26,817	47,496
Current liabilities			
Trade and other payables	9	2,906	280
Other taxation including social security		147	18
Derivative financial liabilities	15	82	1,320
Total current liabilities		3,135	1,618
Total net assets		23,682	45,878
Equity			
Called up share capital	10	5,005	5,005
Share premium	11	42,595	42,595
Capital redemption		45	45
Retained losses		(23,963)	(1,767)
Total equity		23,682	45,878

Lord Levene of Portsoken KBE

Chairman

Gary Hoffman

Chief Executive Officer

The notes at pages 23 - 35 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2011

	Share capital	Share premium	Capital redemption	Retained losses	Total
	£000	£000	£000	£000	£000
Total equity as at 1 January 2011	5,005	42,595	45	(1,767)	45,878
Net loss and total comprehensive loss for the year	-	-	-	(23,041)	(23,041)
Share based payments	-	-	-	845	845
Total equity as at 31 December 2011	5,005	42,595	45	(23,963)	23,682

The notes at pages 23 – 35 form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2011

	Notes	Year ended 31 December 2011	Period ended 31 December 2010
		£000	£000
Operating activities			
Operating loss before taxation		(23,041)	(1,813)
Depreciation of property, plant and equipment	6	100	10
Amortisation of intangible assets	7	3	1
Share based payments - options		767	46
Share based payments – founder warrants		78	-
(Decrease) / increase in fair value of derivative financial instruments	15	(1,238)	424
Increase in receivables		(105)	(70)
Increase in payables		2,755	298
Cash flow from operating activities		(20,681)	(1,104)
Investing activities			
Acquisition of property, plant and equipment	6	(185)	(148)
Expenditure on other intangible assets	7	(2)	(9)
Cash flow from investing activities		(187)	(157)
Financing activities			
Net proceeds of increase in share capital and share warrants		-	48,541
Cash flow from financing activities		-	48,541
Net (decrease) / increase in cash and cash equivalents		(20,868)	47,280
Cash and cash equivalents at 1 January		47,280	-
Cash and cash equivalents at 31 December		26,412	47,280

The notes at pages 23 – 35 form part of these financial statements.

Notes to the accounts

for the year ended 31 December 2011

1 Summary of significant accounting policies

General Information

NBNK Investments plc is a public company incorporated in the United Kingdom. The address of the registered office is given on page 4. The Company's operations and its principal activities are to establish a new UK retail and SME banking and savings operation. The financial statements are presented in pounds sterling thousands because that is the currency of the primary economic environment in which the Company operates.

Basis of preparation

The financial statements of NBNK Investments plc have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The financial statements have been prepared under the historical cost convention as amended for use of fair value for derivative financial instruments and share based payments. Historical cost is based upon the fair value of consideration given in exchange for assets.

Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on experience and other factors. However, actual results may differ from these estimates. None of the estimates or judgements made in the preparation of these financial statements are considered critical.

The calculation of fair value of derivative financial instruments is dependent upon a number of estimates, including the volatility of the Company's share price. The Company has been listed for only a short period and the estimate of volatility has been arrived at by looking at a number of comparable companies.

Application of IFRS

NBNK Investments plc was incorporated during 2010 with the intention of building (primarily through acquisition) a new and substantial UK bank. The Company has to date made no acquisitions. Until the Company commences operation as a UK bank it is not appropriate to set out the accounting policies which will be applicable to that business.

New IFRSs, interpretations and amendments not yet effective

Whilst the Company continues not to operate as a bank, none of the new standards, interpretations or amendments but not yet effective are expected to have a material impact on the Company's future financial statements. However, given the current status of the Company, it cannot be stated with any degree of certainty which new standards, interpretations or amendments but not yet effective may ultimately have a material impact on the Company's future financial statements.

Segmental reporting

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the directors in deciding how to allocate resources and in assessing performance. The Company comprises one operating segment.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives of three years.

Intangible assets

Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives of three years.

Financial instruments

Financial instruments and equity instruments are classified according to the substance of the contractual arrangements entered into

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short term highly liquid investments with original maturities of three months or less.

Share capital

Ordinary shares are classified as equity.

Share based payments

Where share based payments are made in respect of goods or services received as consideration for the Company's own equity, these are accounted for as equity settled share based payments in accordance with IFRS 2. Such payments are measured at fair value at the date of grant using an appropriate option valuation technique, which is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair value of these payments is not subsequently re-measured.

Derivative financial instruments

Derivative financial instruments are measured at fair value at date of issue and at any year end at which they are outstanding using an appropriate valuation technique and included in assets or liabilities on the statement of financial position. Differences arising between the issue date and the period end are charged or credited to the income statement.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial instruments issued by the Company are treated as liabilities if:

- (a) they include contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; or
- (b) the instrument will or may be settled in the Company's own equity instruments and is either a non-derivative that includes an obligation to deliver a variable number of the Company's own equity instruments or is a derivative (other than a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments).

Taxation

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense which are either never taxable or deductible or are taxable or deductible in other periods. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to recover the asset. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is expected to be settled or the asset is expected to be realised based on tax rates that have been enacted or substantively enacted at the year end date.

Revenue recognition

Interest income

Interest income is accrued on a time basis using the effective interest rate applicable.

Reserves

A description of each of the reserves follows:

Share premium

This reserve represents the difference between the issue price of shares and the nominal value of shares at the date of issue, net of related issue costs.

Capital redemption

This reserve was created on the cancellation of deferred shares gifted to the Company.

Retained earnings

Net revenue profits and losses of the Company which are revenue in nature are dealt with in this reserve.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by shareholders.

Leases

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

2 Administrative expenses

	2011	2010
	9000	£000
Administrative expenses include:		
Salaries and directors' fees	2,539	133
Contract commencement fee	1,852	-
Social security costs	590	15
Depreciation – property, plant and equipment	100	10
Amortisation – intangible assets	3	1
Operating leases – land and buildings	136	28
Auditors' remuneration – statutory audit of the Company	35	21

During the year, the Company employed an average of 11 members of staff, including directors (2010: 6).

Costs in relation to the initial listing of £nil (2010: £59,000) were paid to BDO as reporting accountant, before being appointed as auditors. These costs have been charged to share premium as transaction costs related to the issue of the new shares.

A description of the work of the audit committee is set out in the corporate governance report on page 10 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

Remuneration of directors

	2011	2010
	£000	£000
Directors' emoluments, which comprise the following, are included in administrative expenses:		
Executive directors' fees	1,215	47
Non-executive directors' fees	240	79
Contract commencement fee	1,852	-
Total directors' fees	3,307	126
Share based payments – options	767	46
Share based payments – founder warrants	78	-
(Decrease) / increase in fair value of derivatives – Placee B warrants	(8)	3
Short term employee benefits	3	-
	4,147	175

In line with Company policy, no short term bonus payments were made to any member of the Board.

The emoluments of the highest paid director totalled £912,942 (2010: £nil). In addition, as part of his recruitment, the Company paid him £1,852,161 when his contract commenced, largely in reflection of his leaving his previous employer.

Details of options held and emoluments of each director are shown in the Remuneration Report as is the statement on key management personnel (see pages 15 and 16).

3 Interest

merest	2011	2010
	£000	£000
Interest income		
Interest on bank deposits	310	125
	310	125
Taxation		
	2011	2010
	£000	£000
Taxation based on revenue for the year comprises:		
UK Corporation tax at 26.5% (2010: 28.0%)	-	-
	-	-
he charge for the year can be reconciled to the profit per the income stateme	nt as follows:	
	2011	2010
	£000	£000
Loss before taxation	£000 (23,041)	
Loss before taxation Tax on ordinary activities at standard rate 26.5% (2010: 28.0%)		£000 (1,813) (508)
-	(23,041)	(1,813)

Until the Company commences operation as a new UK bank, no deferred tax asset is being recognised for losses carried forward.

5 Loss per share from operations

Loss per share from operations for the year is based upon the attributable loss of £23,040,520 (period to 31 December 2010: loss of £1,813,134) and 50,050,000 (2010: 36,662,022) shares, being the weighted average number of shares in issue during the year. The diluted weighted average number of shares in issue assuming exercise of options at less than fair value was 50,268,919 (2010: 37,199,862). No diluted loss per share is provided as it would reduce the basic loss per share.

2011

	2011
	Office furniture & equipment
	£000
Cost	
At 1 January 2011	148
Additions at cost	185
At 31 December 2011	333
Accumulated depreciation	
At 1 January 2011	10
Charge for the year	100
At 31 December 2011	110
Net book value at 31 December 2011	223
Net book value at 31 December 2010	138

7 Other intangible assets

	Computer software
	£000
Cost	
At 1 January 2011	9
Additions at cost	2
At 31 December 2011	11
Accumulated amortisation	
At 1 January 2011	1
Charge for the year	3
At 31 December 2011	4
Net book value at 31 December 2011	7
Net book value at 31 December 2010	8

8 Cash and cash equivalents

These compromise cash held at bank and short term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximates to their fair value.

9 Trade and other payables

Trade and other payables comprise amounts outstanding for ongoing costs. The carrying amount of these liabilities approximates to their fair value.

10 Share capital

o onaro oupitar		
	2011	2010
	£'000	£000
Issued and fully paid share capital		
Value		
At 1 January	5,005	-
Issued in the year	-	5,005
At 31 December	5,005	5,005
Shares	Number	Number
At 1 January	50,050,000	-
Issued in the year	-	50,050,000
At 31 December	50,050,000	50,050,000
I Share premium		
•	2011	2010
	£000	£000
At 1 January	42,595	-
On shares issued in the year	-	44,104
Related issue costs	-	(1,509)
As at 31 December	42,595	42,595

12 Financial instruments

The Company held the following categories of financial assets and liabilities, which have a carrying value the same as fair value at 31 December 2011.

	2011	2010
	£000	£000
Assets		
Cash and cash equivalents – held as loans and receivables	26,412	47,280
Liabilities		
Trade and other payables – held at amortised cost	2,906	280
Derivative financial liabilities (see note 15) – held at fair value through profit or loss	82	1,320
	2,988	1,600

The inputs for calculating the fair value of derivative financial liabilities are not all based on observable market data and consequently they are classified as Level 3 financial instruments as defined by IFRS 7 (see note 15).

The principal risks facing the Company in respect of its financial instruments are:

- **interest risk**, arising from movements in interest rates on cash and cash equivalents. If interest rates during the year were 1% higher, the impact on the Company's loss for the year would have been to decrease it by £424,000. It is assumed that interest rates are unlikely to fall below the current level.
- **credit risk**, arising from the failure of another party to perform according to the terms of its contract. The Company reduces credit risk by placing cash and cash equivalents with highly rated financial institutions and restricts the maximum exposure to any single financial institution.

13 Share based payments - options

On 1 May 2011, the Company granted Gary Hoffman a share option over 11.5 million shares at an exercise price of 130 pence per share. This will be exercisable as to one-third after 3 years from grant, one-third after 5 years of grant and the final third after 6 years and, subject to normal good leaver provisions, is contingent on his continued employment to those dates. The option will be subject to claw-back provisions in the event that the Remuneration Committee considers that the share price is impacted by information which resulted in the share price being misleading. The option is also contingent on a substantial fundraising and acquisition having been completed within 18 months of his joining on 1 May 2011.

On listing in 2010, the Company granted an option to Lord Levene to subscribe for 200,000 ordinary shares at 10p, exercisable from the date he ceases to be the Chairman of Lloyd's of London up until 9 December 2013. Lord Levene retired as Chairman of Lloyd's of London on 14 October 2011.

Details of share options outstanding are as follows:

		2011
		Weighted average price
		Pence
At 1 January 2011	200,000	10
Granted during the year	11,500,000	130
Exercised during the year	-	-
Outstanding at 31 December 2011	11,700,000	128
Exercisable at 31 December 2011	200,000	10

		2010
		Weighted average price
		Pence
Granted during the period	200,000	10
Exercised during the period	-	-
Outstanding at 31 December 2010	200,000	10
Exercisable at 31 December 2010	-	-

The options have been fair valued using the Monte Carlo valuation model. Assumptions used are as follows:

<u></u>	2011	2010
Expected volatility	39.51%	39.51%
Risk free interest rate at grant, dependent on expected life	1.97% - 2.90%	1.19%
Dividend yield	0%	0%
Expected life	3 to 7 years	3 years

Expected volatility was based on the historical share price log of comparable companies. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations for vesting.

The fair value of the options granted during the year was £4,385,000 (£165,000 in the period ended 31 December 2010) and during the year, the Company recognised total expenses of £767,000 (£46,000 in the period ended 31 December 2010) in respect of share based payment transactions.

14 Share based payments - founder warrants

On 1 May 2011, Lord Levene was granted founder warrants, entitling him to subscribe for 0.7278% of the Company's fully diluted share capital at 130 pence per ordinary share. The founder warrants will expire on 31 August 2020 unless previously exercised or lapsed. In addition, Lord Levene has indicated that he would undertake only to exercise the warrants (i) on successful completion of a substantial acquisition by the Company and the listing of the Company's shares on the Official List and (ii) only in respect of up to 5.75 million shares (or 0.7278% of the fully diluted share capital, if resulting in a lower number of shares). Further, Lord Levene has indicated that he would undertake (i) not to dispose of any shares issued on exercise of such warrants for a period of 3 years from such listing and (ii) that he would retain at least 500,000 of such shares for so long as he remains chairman.

Details of founder warrants outstanding are as follows:

		2011
		Weighted average price
		Pence
At 1 January 2011	-	-
Granted during the year	489,635	130
Exercised during the year	-	-
Outstanding at 31 December 2011	489,635	130
Exercisable at 31 December 2011	-	-

The options have been fair valued using the Monte Carlo valuation model. Assumptions used are as follows:

	2011
Expected volatility	39.51%
Risk free interest rate at grant	1.55%
Dividend yield	0%
Expected life	3 years

Expected volatility was based on the historical share price log of comparable companies. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations for vesting.

The fair value of the options granted during the year was £117,108 (£nil in the period ended 31 December 2010) and during the year, the Company recognised total expenses of £78,072 (£nil in the period ended 31 December 2010) in respect of share based payment transactions.

15 Derivative financial liabilities – share warrants

On listing in 2010, the Company issued placee warrants to institutional shareholders, equivalent to 7.4% of the Company's fully diluted share capital, between 20 August 2010 and 19 February 2013. The placee warrants are exercisable at any time from issue at a subscription price of 100p per ordinary share and expire on 31 August 2020. In addition placee B warrants were issued, on similar terms to the placee warrants, to non–institutional shareholders equivalent to 0.08% of the fully diluted share capital. Of the monies raised on listing, £896,000 has been attributed to the fair value of the warrants issued at the same time for nil consideration.

Following the grant of share options to Gary Hoffman and founder warrants to Lord Levene on 1 May 2011, the fully diluted share capital of the Company increased by 12,958,965 shares to 67,271,546 shares, resulting in an increase of 969,331 in the number of placee warrants in issue.

		2011
		Weighted average price
Placee and placee B warrants		Pence
At 1 January 2011	4,062,581	100
Increase during the year	969,331	100
Exercised during the year	-	-
At 31 December 2011	5,031,912	100
Exercisable at 31 December 2011	5,031,912	100
		£000
Fair value		
At 1 January 2011		1,320
Decrease in fair value credited to income statement		(1,238)
At 31 December 2011		82

 $The \ share \ warrants \ have \ been \ fair \ valued \ using \ the \ Monte \ Carlo \ valuation \ model. \ Assumptions \ used \ are \ as \ follows:$

	2011
	39.51%
– at issue date	1.19%
- at 31 December 2011	0.33%
	0%
	2 years
	at issue dateat 31 December 2011

Expected volatility was based on the historical share price log of comparable companies. The expected life used in the model is based on management's best estimate of the behavioural considerations for vesting. As the Company's shares have been suspended since 6 September 2011, the warrants have been valued using a notional share price, based on the net asset value of the Company at 31 December 2011.

16 Lease commitments

At the year end, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 £000	2010 £000
Less than one year	176	110
Two to five years	88	74
	264	184

17 Related party transactions

In the opinion of the Board, the related parties are the directors. There were no related party transactions during the year other than those disclosed in the Directors' Remuneration Report.

18 Financial commitments

The Company has no financial commitments.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of NBNK Investments Plc (the **"Company"**) will be held on Wednesday 27 June 2012 at 9.30am at Fifth Floor, One Angel Court, London EC2R 7HJ for the transaction of the following purposes:

To consider and, if thought fit, to pass the following resolutions, numbers 1 to 10 and 13 of which will be proposed as ordinary resolutions and numbers 11 and 12 will be proposed as special resolutions:

- 1. **THAT** the Company's audited financial statements for the year ending 31 December 2011, together with the directors' report and the auditor's report on those accounts, be received.
- 2. **THAT** Lord Levene of Portsoken be re-elected as a director of the Company.
- 3. **THAT** Sir David Walker be re-elected as a director of the Company.
- 4. THAT Lord Brennan of Bibury be re-elected as a director of the Company.
- 5. **THAT** Lord Forsyth of Drumlean be re-elected as a director of the Company.
- 6. THAT Lord McFall of Alcluith be re-elected as a director of the Company.
- THAT Gary Hoffman, who has been appointed as a director of the Company since the last Annual General Meeting, be elected as a director of the Company.
- 8. **THAT** BDO LLP be re-appointed as auditors of the Company until the conclusion of the next Annual General Meeting.
- 9. **THAT** the directors be authorised to determine the auditors' remuneration.
- 10. **THAT** for the purposes of section 551 of the Companies Act 2006 (the "Act") (and so that expressions used in this resolution bear the same meanings as in the said section 551):
 - (1) the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £1,668,333.30 to such persons and at such times and on such terms as they think proper, during the period expiring, unless previously revoked or varied by the Company in general meeting, at the end of the next Annual General Meeting of the Company;
 - (2) the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held by them up to a maximum aggregate nominal amount of £1,668,333.30 during the period expiring, unless sooner revoked or varied by the Company in general meeting, at the end of the next Annual General Meeting of the Company to be held in 2013, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

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(3) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution,

so that all previous authorities of the directors pursuant to the said section 551, other than that granted pursuant to paragraph (ii) of resolution 1 (B) passed in general meeting of the Company on 12 August 2010 by special resolution, be and are hereby revoked.

- 11. **THAT**, subject to the passing of resolution 10 set out in the notice convening this meeting, the directors be and are empowered in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them in resolution 10 above as if section 561(1) and sub-sections (1) (6) of section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
 - (1) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted by resolution 10(2) above by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
 - (2) the allotment (otherwise than pursuant to paragraph 11(1) above) of equity securities up to an aggregate nominal value not exceeding £250,250,

and this power shall expire unless sooner revoked or varied by the Company in general meeting, at the end of the next Annual General Meeting of the Company, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

- 12. **THAT** the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make market purchases (as defined in section 693 of the Act) of ordinary shares of 10p each in the capital of the Company provided that:
 - (1) the maximum number of ordinary shares hereby authorised to be purchased is 5,005,000;
 - (2) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 10p per share, being the nominal amount thereof;
 - (3) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5 per cent. above the average of the middle market quotations for an ordinary share as derived from the AIM Appendix to The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out;
 - (4) the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the next Annual General Meeting of the Company; and

(5) the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of ordinary shares in pursuance of any such contract.

13. **THAT** the Company be and is hereby generally and unconditionally authorised to continue to pursue the Company's investing policy as described in the section headed "Business Strategy" of the Company's AIM Admission Document dated 20 August 2010 until such time as the investing policy has been substantially implemented, provided that this power shall expire, unless sooner revoked or varied by the Company in general meeting, at the end of the next Annual General Meeting of the Company.

BY ORDER OF THE BOARD

Law Debenture Corporate Services Limited Company Secretary

21 May 2012

Registered office:

Fifth Floor 100 Wood Street London EC2V 7EX

Registered company no. 7303316

Notes to the notice of Annual General Meeting

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
- (2) To appoint a proxy you may:
 - a. use the Form of Proxy enclosed with this notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or at www.capitashareportal.com, in each case no later than 9.30am on 25 June 2012 (being not less than 48 hours before the meeting excluding non-working days); or
 - b. if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note 8 below.

Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person.

- (3) Any member attending the meeting has the right to ask any question at the meeting relating to the business of the meeting.
- (4) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at 6pm on 25 June 2012 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6pm on the day which is two days before the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (5) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (6) The Company has an issued share capital at 21 May 2012 (being the latest practicable date prior to publication of this notice of Annual General Meeting) of 50,050,000 Ordinary Shares with voting rights and no restrictions and no special rights with regard to control of the Company. There are no other classes of share capital and none of the Company's issued shares are held in treasury. Therefore, the total number of voting rights in the Company as at 21 May 2012 (being the latest practicable date prior to publication of this notice of Annual General Meeting) is 50,050,000.
- (7) In the following paragraphs, information is given about each resolution:

Resolution 1 – annual report and audited financial statements (ordinary resolution). It is a legal requirement that the directors lay before the Company's shareholders the Company's accounts, directors' report and the audit report. The report and accounts cover the year ending 31 December 2011.

Resolutions 2 - 7 - election and re-election of directors (ordinary resolutions). The articles of association of the Company require the directors to retire at the subsequent annual general meeting following their appointment and the Board has separately resolved that all directors will retire and offer themselves for re-election annually. As such, Lord Levene, Sir

David Walker, Lord Brennan, Lord Forsyth and Lord McFall are seeking re-election as directors. Resolutions 2 to 6 propose their re-elections as directors. In accordance with the articles of association of the Company, Gary Hoffman was appointed as a director by the Board on 1 May 2011 and he now seeks election at this, the first annual general meeting since appointment. Brief biographies of the directors are set out on page 2 of the annual report and financial statements.

Resolutions 8 and 9 – appointment of auditors and determination of their remuneration (ordinary resolutions). The Company is required to appoint auditors at each annual general meeting at which accounts are presented, to hold office until the conclusion of the next such meeting. The Board first appointed BDO LLP as auditors for the Company's annual report and financial statements in 2010 and is satisfied with way that audits have been conducted. As the Company continues to develop its strategy, the directors will keep under review the Company's ongoing audit requirements. For the time being, the directors are content to recommend that shareholders appoint BDO LLP to continue in office until the conclusion of the Company's next annual general meeting. Resolution 9 authorises the directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors. In practice, the audit committee will consider the audit fees for recommendation to the Board.

Resolution 10 – general authority to allot shares (ordinary resolution). The resolution asks shareholders to grant the directors authority under section 551 of the Act to allot shares or grant such subscription or conversion rights as are contemplated by sections 551(1)(a) and (b) respectively of the Act up to a maximum aggregate nominal value of £3,336,66.60, being approximately 66.6 per cent. of the nominal value of the issued ordinary share capital of the Company as at 21 May 2012 (being the latest practical date prior to publication of this notice of annual general meeting). £1,668,333.30 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. The authority will expire at the next annual general meeting of the Company in 2013. The directors have no present intention of exercising such authority.

All previous authorities of the directors pursuant to section 551, other than that in relation to certain warrants granted in general meeting of the Company on 12 August 2010 (the **"Previous General Meeting"**) by special resolution stated to expire on 20 August 2013 (being three years from the date of admission to trading on AIM), are revoked.

Resolution 11 – disapplication of statutory pre-emption rights (special resolution). If the directors wish to allot unissued shares or other equity securities for cash or sell any shares which the Company holds in treasury following a purchase of its own shares pursuant to the authority in resolution 12, the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. Resolution 10 asks shareholders to grant the directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £250,250 (being 5 per cent. of the Company's issued ordinary share capital as at 21 May 2012 (being the latest practicable date prior to publication of this notice of annual general meeting)) without first offering the securities to existing shareholders. The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue, but only in relation to the amount permitted under resolutions 10.1 and/or 10.2, and allows the directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise. The authority will expire at the next annual general meeting of the Company in 2013.

The directors believe that it is in the best interests of the Company to have the authority to allot or grant such subscription and conversion rights over a maximum of 2,502,500 Ordinary Shares other than on a pre-emptive basis. In addition to the disapplications sought under resolution 11, the existing disapplication in relation to certain warrants granted in the Previous General Meeting will continue on the basis outlined in the note in relation to resolution 10 above.

Resolution 12 - Purchases of own shares by the Company (special resolution). Resolution 12 to be proposed at the Annual General Meeting seeks authority from holders of ordinary shares for the Company to make market purchases of ordinary shares, such authority being limited to the purchase of 10 per cent. of the ordinary shares in issue as at 21 May 2012 (being the latest practicable date prior to publication of this notice of Annual General Meeting). The maximum price payable for the purchase by the Company of ordinary shares will be limited to the higher of 5 per cent. above the average of the middle market quotations of the ordinary shares, as derived from the AIM Appendix to the London Stock Exchange Daily

Official List, for the five business days prior to the purchase and the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out. The minimum price payable by the Company for the purchase of ordinary shares will be 10p per share (being the nominal value of an ordinary share). The authority to purchase ordinary shares will only be exercised if the directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time. The Company is allowed to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and capable of being re-sold by the Company or used in connection with certain of its share schemes. The Company would consider, at the relevant time, whether it was appropriate to take advantage of this ability to hold the purchased shares in treasury.

Options to subscribe for up to 11,700,000 ordinary shares have been granted and are outstanding as at 21 May 2012 (being the latest practicable date prior to publication of this document) representing 23.38 per cent. of the issued ordinary share capital at that date. If the directors were to exercise in full the power for which they are seeking authority under resolution 12, the options outstanding as at 21 May 2012 (being the latest practicable date prior to publication of this document) would represent 25.97 per cent. of the ordinary share capital in issue following such exercise.

Resolution 13 – Authorisation to continue investing policy (ordinary resolution). Resolution 13 to be proposed at the Annual General Meeting seeks authority from holders of ordinary shares for the Company to continue to pursue the Company's investing policy as described in the section headed "Business Strategy" of the Company's AIM Admission Document dated 20 August 2010, until such time as the investing policy has been substantially implemented. Under Rule 8 of the AIM Rules for Companies, companies such as NBNK whose primary business is, inter alia, the acquisition of one or more other businesses or companies, are required to seek shareholder approval to continue the pursuit of that business if they have not substantially completed their strategy within 18 months of admission to trading on AIM. The Company accordingly seeks approval to continue with its investing policy. If granted, this power will expire at the end of the next Annual General Meeting of the Company, unless sooner revoked or varied by the Company in general meeting.

(8) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual (www.euroclear.com/CREST). The message must be transmitted so as to be received by the issuer's agent, Capita Registrars (ID R055), by 9.30am on 25 June 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).