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NB Private Equity Partners Limited

2016 Annual Financial Report and Consolidated Financial Statements

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CHAIRMAN'S LETTER

LETTER FROM THE CHAIRMAN

"During the year, the Company produced strong performance in terms of NAV growth and share price, successfully completed two important strategic financing events, reduced borrowings drawn on the credit facility and paid dividends of $0.50 per Share to Shareholders."

Dear Shareholder,

I am pleased to present the 2016 Annual Financial Report and Consolidated Financial Statements of NB Private Equity Partners Limited ("NBPE" or the "Company"). This was another successful year for the Company. During the year, the Company produced strong performance in terms of NAV growth and share price, successfully completed two important strategic financing events, reduced borrowings drawn on the credit facility and paid dividends of $0.50 per Share to Shareholders. I am pleased to outline the year in more detail.

On 8 June 2016, the Company announced it had agreed a new $150 million credit facility with JP Morgan Chase Bank, N.A., replacing its previous facility with Lloyd's Banking Group. The new credit facility carries an annual interest rate of LIBOR plus 375 bps and provides a long-term, flexible capital resource to support NBPE's investment strategy.

In addition, on 14 September 2016, NBPE announced the successful issuance of a new class of 2022 Zero Dividend Preference Shares ("2022 ZDP Shares") at a 4.00% Gross Redemption Yield ("GRY") and at the maximum offering size of £50.0 million. This issuance of long term capital, combined with the flexibility offered by the Company's new credit facility, solidifies the Company's capital structure and maintains significant capacity for new investments.

In terms of investment performance, 2016 was a strong year. Net Asset Value ("NAV") per Share increased 14.8% on a total return basis and the portfolio received $331.3 million of distributions from underlying investments (representing 47% of the 31 December 2015 NAV); this was a record year of distributions for NBPE. This activity allowed the Company to repay all its outstanding borrowings drawn under the credit facility giving NBPE great flexibility for new investments in the short term.

Distribution activity during the year was driven by the income portfolio, which generated $224.6 million of distributions. This was the result of strong re-financing and exit activity, demonstrating the strong credit quality of the Company's income investments.

During the year, the Company generated $28 million in interest income and paid two dividends totaling $0.50 per share to shareholders (totaling $24.4 million). The Company's dividend coverage from cash yield from the income portfolio fell to 52% on a run rate basis due to the realisations within the income portfolio; however, the dividend was approximately 14x covered based by 2016 total distributions received across the entire portfolio of $331.3 million. The Directors and I remain confident in the Company's ability to maintain the dividend over time. (see more detail on page 31).

Equity investments also produced strong performance during the year, and the Company received total distributions of $64.0 million from this portfolio. The IPO of Extraction Oil & Gas (NASDAQ: XOG) was a significant portfolio development, and this company is now the largest holding in NBPE, representing approximately 4.2% of NAV.

The Company invested $101.8 million in 16 new equity investments and $36.8 million in eight new income investments during 2016. Given the overall level of distributions during the year, this resulted in the private equity investment level falling from 116% at the end of 2015 to 99% at the end of 2016, with the Company holding $93.7 million of cash as of 31 December 2016. Over time, the Company intends to redeploy this capital into new investment opportunities.

The strong performance of the portfolio was rewarded with good share price performance and the company's shares generated a 17.0% total return during 2016. It should be noted that this is the return in US dollars and for our UK shareholders, this translates to a Sterling return of 39.7%. However at the end of the year, the discount remained at 23.9% (having narrowed from 25.3% at the beginning of the year). While this level of discount is typical of listed Private Equity and NBPE's peer group, it is the one area of disappointment for the board in 2016 and we are working on new initiatives that we hope will help to reduce the level of the discount in 2017.

LETTER FROM THE CHAIRMAN

The Directors and I are pleased to announce the proposal to grant full voting rights to the Class A Shareholders and apply for admission to listing of the Class A Shares on the Premium Segment of the Main Market of the London Stock Exchange, as detailed in the press release the Company plans to issue on 28 March 2017. The Directors and I believe that this an important step forward for the Company. We continue to strive for ways to unlock shareholder value and narrow NBPE's discount and we hope that this initiative will be another important step in that process.

Talmai Morgan

Chairman

Guernsey, 27 March 2017

COMPANY OVERVIEW

COMPANY OVERVIEW & KEY FINANCIAL STATISTICS

Company — **NB Private Equity Partners Limited ("NBPE" or the "Company")**

- Guernsey closed-ended investment company
- 48,790,564 Class A ordinary shares ("Class A Shares" or "Shares") outstanding
- 10,000 Class B ordinary shares ("Class B Shares"; together with Class A Shares, "Ordinary Shares") outstanding
- 7,019,599 2017 ZDP shares ("2017 ZDP Shares) and 50,000,000 2022 ZDP shares ("2022 ZDP Shares"), together the ("ZDP Shares") outstanding

Investment Manager — **NB Alternatives Advisers LLC ("Investment Manager" or the "Manager")**

- 30 years of private equity investing experience and approximately 115 investment professionals
- Investment Committee with over 265 years of professional experience
- Offices in New York, London, Boston, Dallas, Hong Kong, Milan and Bogotá

Key Statistics	At 31 December 2016	At 31 December 2015
Net Asset Value ("NAV") of the Class A Shares	$776.6m	$700.3m
Direct Equity Investments	$474.9m	$350.5m
Income Investments	$139.0m	$283.0m
Fund Investments	$153.4m	$180.1m
Total Private Equity Fair Value	$767.3m	$813.6m
Private Equity Investment Level	99%	116%
Cash and Cash Equivalents	$93.7m	$26.1m
Credit Facility Borrowings Drawn	$0.0	($52.5m)
ZDP Share Liability (Dollar equivalent liability)	($76.9m)	($74.7m)
Net Other Liabilities	($7.5m)	($12.1m)
NAV per Ordinary Share	**$15.91**	**$14.35**
NAV per Ordinary Share including dividends paid during financial period	**$16.41**	**$14.83**
ZDP Shares (2017 / 2022)	£11.7m / £50.6m	£50.7m / -
Net Asset Value per ZDP Share (2017 / 2022)	164.85p / 101.17p	153.6p / -
Dividends per Ordinary Share:		
Dividends paid during financial period	$0.50	$0.48
Cumulative dividends paid since inception	$1.84	$1.34

Note: Numbers may not sum due to rounding.

INVESTMENT MANAGER'S REPORT

Key Performance

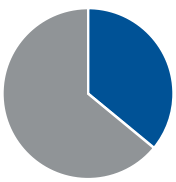
KEY PERFORMANCE HIGHLIGHTS DURING 2016

Performance

14.8% NAV per Share total return[1]

11.4% Share price return[1]

17.0% Share price total return[1]



Portfolio at 31 December 2016

82% of fair value in equity investments[2]

18% of fair value in income investments

Cash Flows during 2016

$331.3 million of distributions to NBPE from investments

$159.5 million funded by NBPE to investments

$24.4 million of dividends paid

$138.6
Million Invested

New Direct Investment Activity during 2016

16 Direct equity investments

8 Income investments

1. *Assumes re-investment of dividends at the closing NAV or share price, respectively, on the ex-dividend date. Total return figures reflect cumulative returns over the period shown. Share price return data based on Euronext Amsterdam.*
2. *Includes fund investments, including some which have a credit orientation.*

PORTFOLIO HIGHLIGHTS DURING 2016

NBPE leverages the full resources of the Manager's integrated private equity platform for superior deal flow, due diligence and execution capabilities for investing across the capital structure of private equity backed companies.

Strong liquidity from investments during 2016

- Distributions of $64.0 million received by NBPE from direct equity investments and $224.6 million from income investments, including:
  - $64.0 million from direct equity investments as a result of company sales, re-capitalisations and secondary sales of public shares
    - $20.5 million of proceeds received as a result of the distribution and subsequent sale of Sabre stock
    - $31.9 million received from the full exit of nine other equity co-investments[1]
    - $11.6 million of dividends and additional proceeds from other partial realisations
  - $196.4 million of proceeds from the realisation of income investments including principal and pre-payment premiums
  - $28.2 million of interest received from income investments
- Total distributions of $42.7 million received from fund investments during 2016

Direct investments in private equity backed companies

- Direct investment exposure of 79% of NAV at 31 December 2016
- During 2016:
  - 24 direct investments completed
  - $108.1 million of new and follow-on direct equity investments
  - $49.0 million of new and follow-on income investments
  - $2.4 million of capital calls from fund investments
- 18% of NAV in income investments with a total estimated yield to maturity of 11.2% and a cash yield of 9.9%
- Income investments producing run-rate cash income of $12.8 million, covering 52% of run rate dividends

Note: Numbers may not sum due to rounding.
1. Deltek closed in December 2016; however, $15.3 million of proceeds were received in January 2017.

DIVIDEND ACTIVITY

Semi-annual dividends

NBPE paid its first dividend for the year of $0.25 per Share on 29 February 2016 and paid its second dividend of $0.25 per Share on 31 August 2016.

Since inception, NBPE has paid cumulative dividends of $1.84 per Share.

Income Investments

As of 31 December 2016, on a run rate basis, the income investment portfolio generated annual cash income of $12.8 million or approximately $0.26 per Share. This corresponds to approximately 52% dividend coverage from the cash yield on the Company's income portfolio, based on the 2016 dividends.

$0.50
Dividends cumulatively paid in Q1 and Q3 2016

$1.84
Cumulative dividends since inception

4.1%
Annualised dividend yield on share price[1]

3.1%
Annualised dividend yield on NAV at 31 December 2016

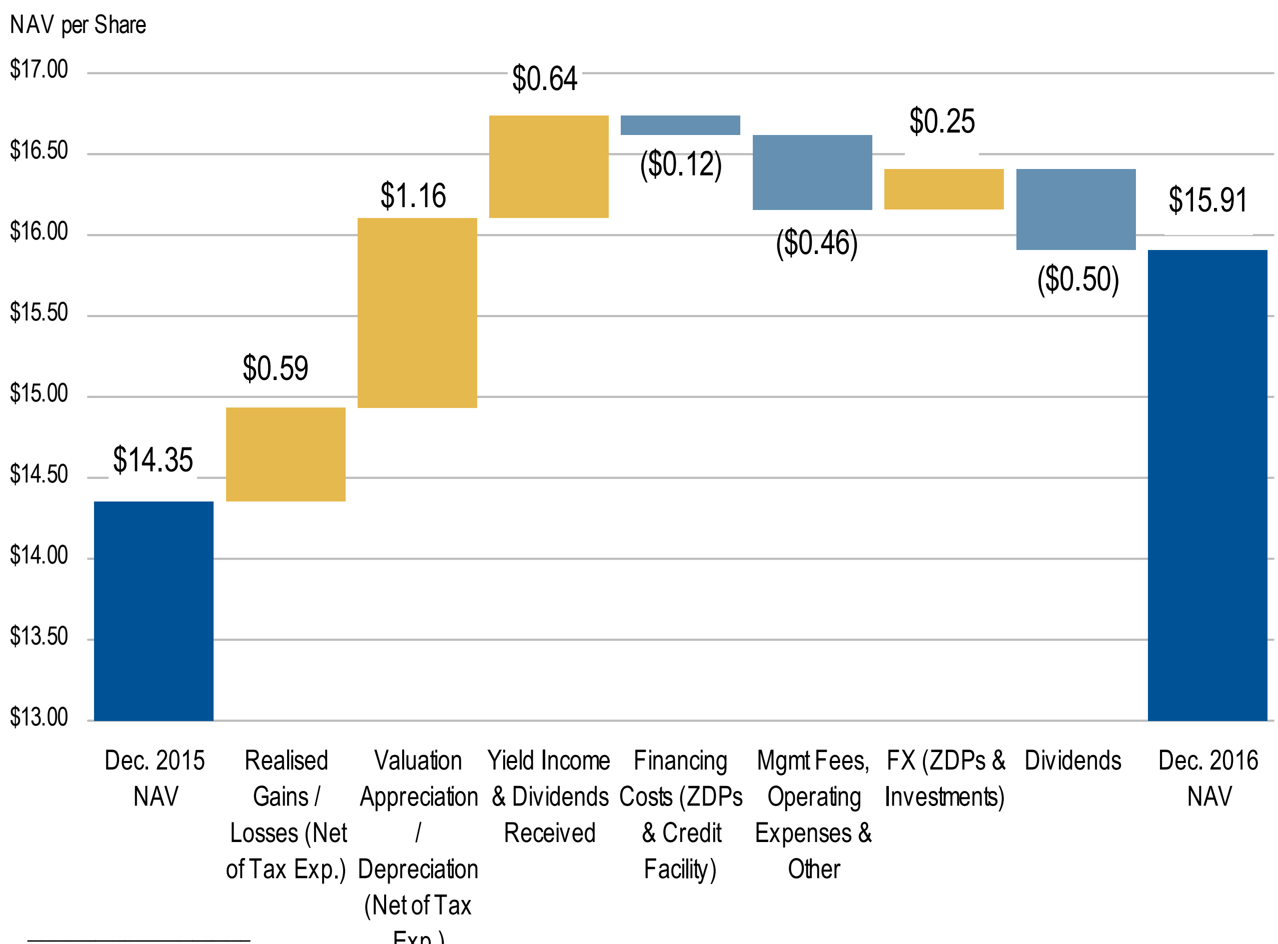
1. *Based on the London Stock Exchange closing share price of $12.10 on 31 December 2016.*

NAV RESULTS

During 2016, including the Company's semi-annual dividends, the NAV per Share total return was 14.8%[1]. NAV per Share was driven by realised and unrealised investment gains and portfolio yield income, offset by dividends paid and expenses. NBPE's rate of Ongoing Charges (as defined by the AIC and previously referred to as the total expense ratio or TER), was 1.99%. Note 11 in the Notes to the Consolidated Financial Statements presents an expense ratio in accordance with US GAAP.

Key changes to NBPE's NAV per Share:

- $28.6 million of realised gains, or $0.59 per Share, net of tax expense
- $56.8 million of unrealised gains, or $1.16 per Share, net of tax expense
- $31.0 million of yield income and dividends, or $0.64 per Share
- $5.6 million of financing costs, or ($0.12) per Share
- $21.9 million of management fees, operating expenses, performance fee accrual, and other expenses, or ($0.46) per Share
- $12.0 million of FX gains related to ZDPs and investments, or $0.25 per Share
- $24.4 million of dividends paid, or ($0.50) per Share



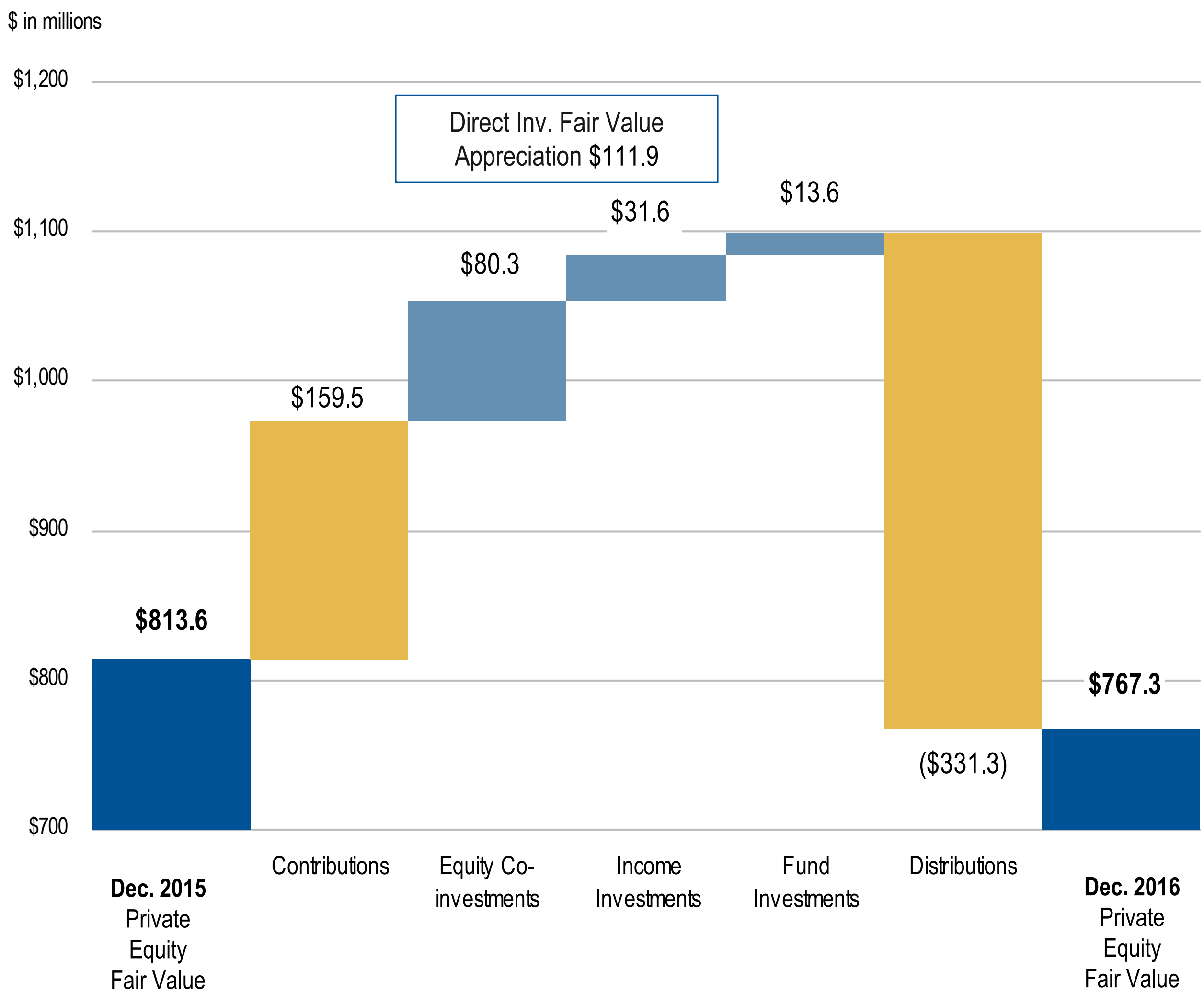
Note: Numbers may not sum due to rounding.
1. Assumes re-investment of dividends at the closing NAV on the ex-dividend date. Total return figures reflect cumulative returns over the period shown.

PERFORMANCE OVERVIEW

During 2016, excluding investment cash flows, private equity fair value appreciated by $125.5 million, largely driven by equity co-investments. Cash distributions to NBPE were driven by income investments, which distributed a total of $224.6 million during the year, largely as a result of full exit proceeds. NBPE also received $64.0 million of distributions from equity co-investments consisting of proceeds as a result of full exits, dividends and secondary sales of public shares. Legacy fund investments continue to run off and generate liquidity, distributing $42.7 million to NBPE during 2016.

During 2016, the portfolio generated a 16.7% gross IRR. Gross 2016 IRR performance by asset class was as follows:

- Equity Co-investments: 22.7%
- Income investments: 13.5%
- Fund investments: 8.4%



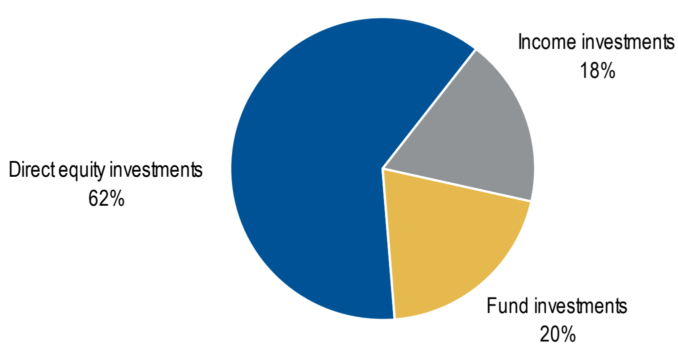
Note: Income investment appreciation includes both fair value appreciation as a result of accrued cash interest as well as accrued non-cash (PIK) yield.

PORTFOLIO OVERVIEW

NBPE's portfolio is comprised of direct equity investments, income investments and fund investments. Direct investments represent approximately 80% of private equity fair value. NBPE's fund portfolio consists of 34 fund investments, all but one of which are past their investment periods. These fund investments are expected to continue to liquidate in the coming years and will be replaced with new direct investment exposure over time.

	Investments	Private Equity Fair Value	Adjusted Unfunded Commitments[1]	Adjusted Total Exposure[1]
Direct equity investments	77	$474.9m	$28.3m	$503.2m
Income investments	31	$139.0m	-	$139.0m
Fund investments	34	$153.4m	$1.1m	$154.5m
Total Private Equity Investments	**142**	**$767.3m**	**$29.4m**	**$796.7m**

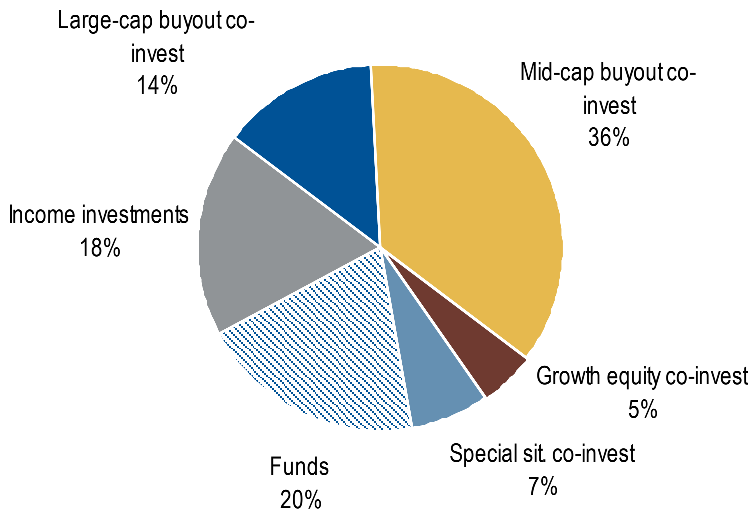
Portfolio Diversification by Fair Value



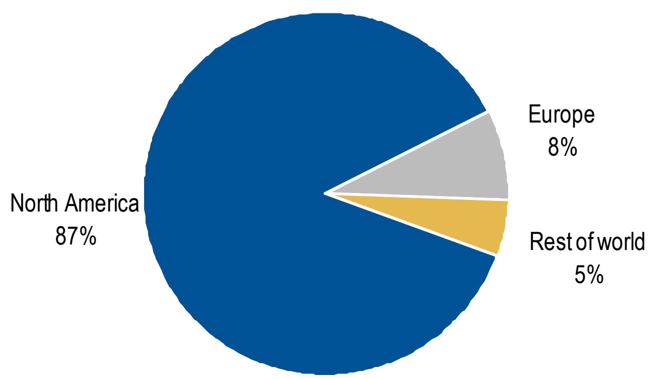
Note: Numbers may not sum due to rounding.

1. Please refer to page 28 for more information on unfunded commitments to funds past their investment period. Actual unfunded commitments and total exposure is $260.9 million and $1.0 billion, respectively. Actual unfunded commitments is comprised of $177.7 million, $44.0, and $39.1 million to direct equity investments, income investments, and fund investments, respectively. Actual total exposure is $652.7 million, $183.0 million, and $192.5 million to direct equity investments and fund investments, respectively.

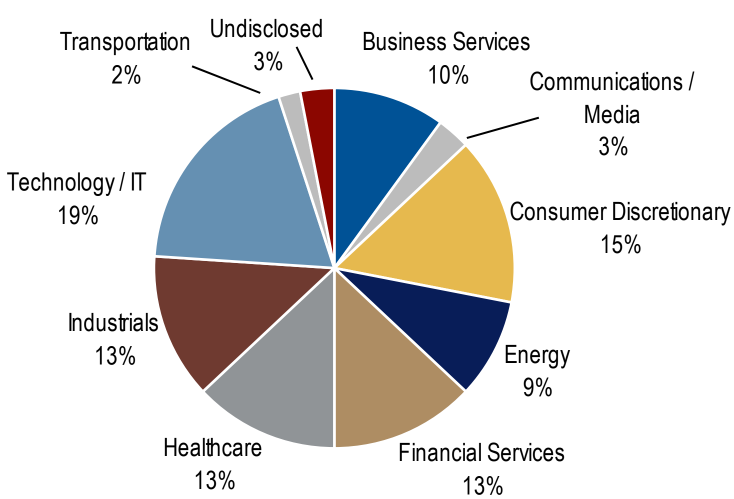
DIVERSIFICATION ANALYSIS



NBPE invests directly into private equity backed companies, pursuing the securities that the Manager believes present the most attractive risk / return opportunity. Currently the portfolio is weighted to equity investments, and 18% of the portfolio is in income investments. Fund investments represent 20% of private equity fair value but the fund portfolio will continue to become a smaller portion of NBPE's private equity fair value as capital is re-deployed into direct investments over time.



NBPE's portfolio is weighted to North American investments. This is the largest private equity market globally and the Manager believes the overall dynamics in this market relative to other geographies have offered the most attractive investment opportunities. The Manager is constantly monitoring and evaluating markets globally and may adjust this strategy over time. Approximately 8% of NBPE's portfolio is invested in European companies and 5% in other parts of the world, primarily Asia and Latin America.



NBPE's portfolio is broadly diversified across industries. The Manager does not set specific industry targets, because the Manager believes this could lead to selecting sub-optimal investments to meet a target. Instead the Manager looks for companies backed by high quality general partners with strong business characteristics in favoured sectors that the Manager believes can grow faster than gross domestic product.

Note: Numbers may not sum due to rounding.

TOP TEN LARGEST COMPANY EXPOSURES

Investment / Description	Status	Year of Investment	Investment Type / Asset Class	Equity Sponsor	NBPE Fair Value
Extraction Oil & Gas (NASDAQ: XOG) U.S. oil & gas exploration and production	Public	2014	Direct equity investment Mid-cap buyout	Yorktown Partners	$32.7 million
Evans Network of Companies Intermodal freight services	Private	2012	Direct equity Investment Mid-cap Buyout	AEA Investors	$21.6 million
Patheon (NYSE: PTHN) Manufacturing services for prescription drugs	Public	2014	Direct equity investment Mid-cap buyout	JLL Partners	$18.8 million
The Warranty Group Underwriter & administrator of extended warranties	Private	2014	Direct equity investment Large-cap buyout	TPG	$16.0 million
ProAmpac Global packaging company	Private	2016	Direct equity investment & 2nd Lien Debt	Pritzker Group	$15.5 million
Capsugel Drug capsules / delivery	Private	2011	Direct equity investment Large-cap buyout	KKR	$13.7 million
Digital River Digital eCommerce and payments	Private	2015	Direct equity investment & Income investment	Siris Capital	$13.4 million
Black Knight Financial Services (NYSE: BKFS) Mortgage servicing services	Public[1]	2015	Direct equity investment Large-cap buyout	Thomas H. Lee	$12.5 million
Financial Services Co.* Global financial advisory firm	Private	2016	Direct equity investment	NA	$12.2 million
Engineering Ingegneria Informatica Italian IT firm	Private	2016	Direct equity investment	NB Renaissance	$11.6 million
Total Top Ten Largest Exposures					**$167.4 million**

*Note: Numbers may not sum due to rounding. *Undisclosed position.*
1. *Fair value includes the valuation of an entity which remains private.*

DIRECT EQUITY INVESTMENTS: KEY PORTFOLIO STATS

Portfolio Overview

77 Investments & **$474.9** million of fair value

Primarily buyout investments, diversified across industry, vintage year and sponsor

3 year average holding period of companies active in the portfolio

Unique investment angles & multiple value creation levers:

- Strong sponsors & highly capable management teams
- Industry growth or secular trends and growth of new markets or product offerings
- Operational enhancement opportunities
- Clear exit paths and / or shorter paths to liquidity

Key Stats[1]

10.3x LTM EBITDA valuation multiple

4.7x LTM EBITDA leverage multiple

4.7% LTM revenue growth

7.2% LTM EBITDA growth

Strong Performance

$64 million of distributions from direct equity investments during 2016

10 investments were fully exited which generated **$52** million of distributions in 2016 and a **2.1x** multiple of capital and **11%** IRR in aggregate[2]

2 IPOs in the direct equity portfolio. 15% of the direct equity portfolio (and 13% of the total portfolio) was invested in public companies at 31 December 2016

1. Stats are representative of companies which are valued on traditional buyout EV / EBITDA metrics. Excludes companies valued based on revenue multiples, book value, financing round, discounted cash flow or other valuation metrics.
2. Returns are inclusive of prior distributions.

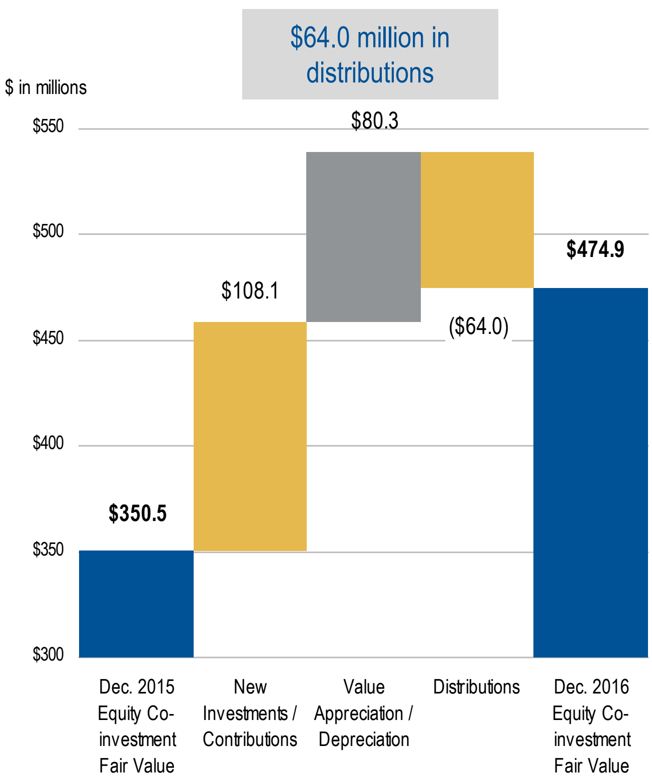
NEW INVESTMENTS DURING 2016

$101.8 million invested in **16** new direct equity investments during 2016

ENGINEERING	**$10.5m** invested alongside **NB Renaissance**	• Information technology company in Italy
LGC	**$10.1m** invested alongside **KKR**	• Life sciences measurement and testing company
ProAmpac	**$9.7m** invested alongside **Pritzker Group**	• Packaging company
Lasko®	**$9.0m** invested alongside **Comvest Partners**	• Manufacturer of portable fans and heaters
solarwinds	**$7.4m** invested alongside **Thoma Bravo**	• Enterprise IT infrastructure management software
EMERSON. Network Power	**$7.0m** invested alongside **Platinum Equity**	• Provider of data center infrastructure
Finalsite	**$6.2m** invested alongside **Bridge Growth Partners**	• Learning management platform for schools
LeasePlan	**$5.7m** invested alongside **TDR**	• Fleet management company
Solace Systems®	**$5.6m** invested alongside **Bridge Growth Partners**	• Enterprise messaging solutions company
MILLS FLEET FARM.	**$5.0m** invested alongside **KKR**	• Value-based retailer in the U.S. midwest
GC Services™	**$4.4m** invested alongside **Owner Resource Group**	• Provider of call center management and collection agency services
snagajob	**$3.5m** invested alongside **NewSpring Capital**	• Job search and human capital management provider
CONCORD CONCORD BIOTECH LIMITED	**$3.4m** invested alongside **Quadria Capital**	• Active pharmaceutical ingredients manufacturer
velocidi	**$2.0m** invested alongside **Pilot Growth**	• Marketing intelligence company
INCIPIO	**$1.5m** invested alongside **Goode Partners**	• Designer/developer of accessories for smartphones and tablets

Note: $10.8m invested in an undisclosed financial services company not shown above due to confidentiality provisions.

DIRECT EQUITY INVESTMENT PERFORMANCE



During 2016, NBPE participated in 16 new direct equity investments in the technology, healthcare, business services, industrials, financial services and consumer sectors.

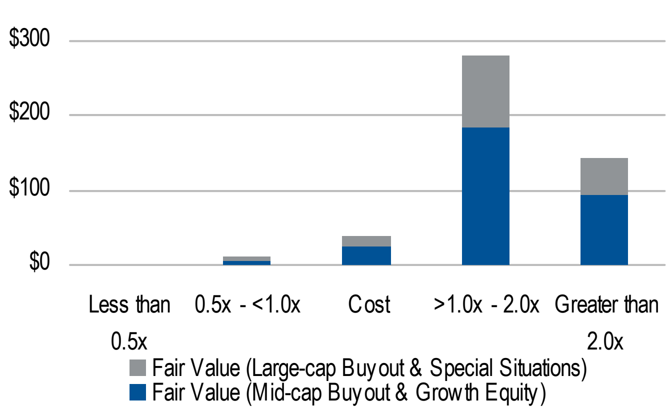
The portfolio appreciated in value by $80.3 million in 2016. The top five investments, measured by dollar gains, appreciated by $42.9 million. The largest increases in value were driven by Extraction Oil & Gas (NASDAQ: XOG) and increases in the value of Evans Network of Companies, which was sold subsequent to this reporting period. In addition, Capsugel was written up as a result of its announced sale.

NBPE received approximately $64.0 million in distributions from the direct equity portfolio during 2016. This was driven by total proceeds of $52.5 million from the full / final exit of Sabre Holdings and Freescale / NXP, RAC, Commscope, Press Ganey, Swissport, Revspring, Seventh Generation, Salient and TPF Genco. NBPE received an additional $11.5 million of other distributions from equity co-investments during 2016.

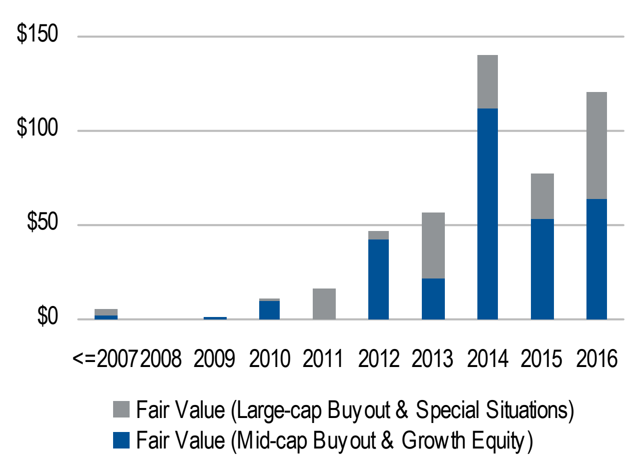
The investment multiple range by fair value shows the dispersion of value within the direct equity investment portfolio. The large majority of the private equity fair value is currently held above cost and only approximately 2.6% of private equity fair value is held below cost.

The average age of the direct equity investments is 3.2 years and approximately 99% of the fair value is due to investments made in 2010 or after.

Investment Multiple Range by Fair Value



Vintage Year by Fair Value



Note: Numbers may not sum due to rounding.

During 2016, NBPE received $64.0 million in distributions from direct equity investments. Of this amount, $19.0 million was the result of full sales which had an average uplift of 22.3% relative to the carrying value the quarter end prior to the announcement of the transaction, $5.5 million was the result of dividends and recapitalisations and $39.5 million was the result of partial sales and secondary sales of public stock.

In connection with the Investment Manager's portfolio monitoring process, the Investment Manager analysed the operational performance and valuation metrics for the traditional buyout investments in the direct equity investment portfolio. There were 43 companies valued on traditional buyout metrics and 34 companies valued on other metrics.

Direct Equity Investments: Traditional Buyouts[1]

There were 43 companies, with approximately $272.4 million of fair value, representing 36% of private equity fair value and 57% of direct equity investment fair value which were valued based on a multiple of cash flow (total enterprise value as a multiple of EBITDA).

- Summary Metrics for the traditional buyout investments:
    - Weighted average valuation multiple of 10.3 x LTM EBITDA
    - Weighted average leverage multiple of 4.7x LTM EBITDA
    - Weighted average LTM revenue growth of 4.7%
    - Weighted average LTM EBITDA growth of 7.2%

Direct Equity Investments: Other Buyouts

There were 34 companies, with approximately $202.5 million of fair value, representing 26% of private equity fair value and 43% of direct equity investment fair value, which were not valued based on EV/EBITDA metrics and instead were valued based on multiples of revenue, book value, financing round, discounted cash flow or other metrics:

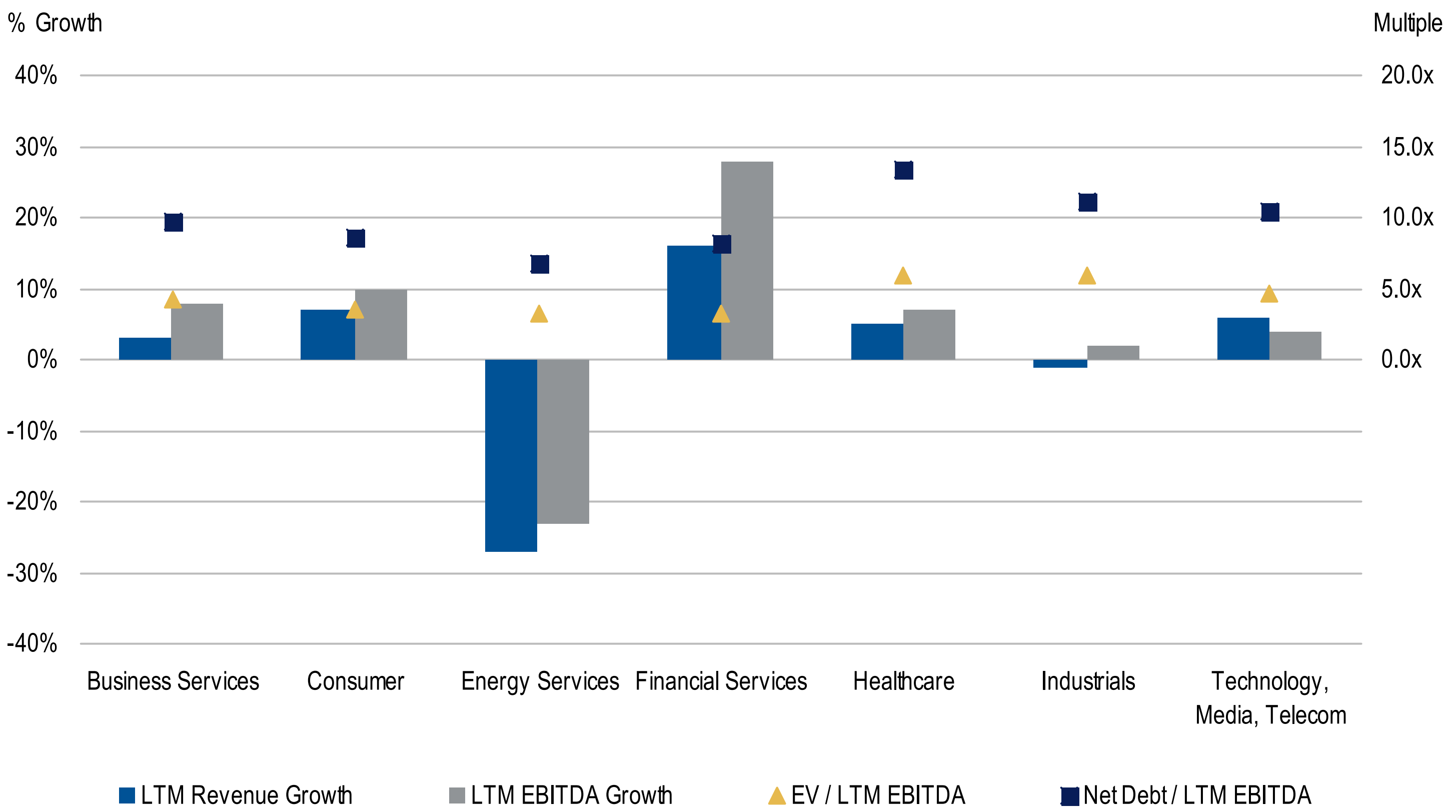
- 22 companies valued ($85.5 million of fair value) based on other metrics including multiples of revenue, latest financing round, discounted cash flow and escrow value
- Six publicly traded companies ($70.5 million of fair value) were valued at their closing share price at 31 December 2016. These six companies generated a weighted average total return of 33% during 2016[2]
- Three privately held E&P companies ($19.3 million of fair value) were valued based on a variety of metrics, including dollars per acre and proved reserves
- One privately held financial institution and two financial services companies, which represented $27.2 million of fair value. The privately held financial institution was valued on a multiple of book value. One of the financial services company was valued based on a multiple of operating income and the other was valued based on net income

1. *Portfolio company operating and valuation metrics are based on the most recently available (unaudited) financial information for each company. Where necessary, estimates were used, which include pro forma adjusted EBITDA and Revenue, annualised quarterly operating metrics and LTM periods as of 31/12/16 and 30/9/16. Private equity fair value as of 31 December 2016.*
2. *Two companies completed initial public offerings during the year. Weighted average total return reflects change from the IPO price to 31 December 2016.*

DIRECT EQUITY INVESTMENT PERFORMANCE

The figure below illustrates the key operating, valuation, and leverage statistics for the 43 traditional buyout investments by industry sector. In conducting the analysis, the Investment Manager utilised the most recently available information to estimate the year-over-year growth in revenue and EBITDA for each company. In addition, the Investment Manager analysed the most recently available valuation multiple (enterprise value to EBITDA) and leverage multiple (net debt to EBITDA) for each company. The aggregate metrics by industry sector represent weighted averages based on the fair value of each underlying company at 31 December 2016.

Direct Equity Investments (Traditional Buyout): Operating Performance, Valuation and Leverage by Sector



	Business Services	Consumer	Energy Services	Financial Services	Healthcare	Industrials	Technology, Media, Telecom
Fair Value ($mm):	$41.2	$50.3	$3.1	$21.7	$33.1	$54.4	$68.6
# of Companies:	4	10	3	3	4	9	10

1. *Portfolio company operating and valuation metrics are based on the most recently available (unaudited) financial information for each company. Where necessary, estimates were used, which include pro forma adjusted EBITDA and Revenue, annualised quarterly operating metrics and LTM periods as of 31/12/16 and 30/9/16. Private equity fair value as of 31 December 2016.*

SCHEDULE OF INVESTMENTS

Direct Equity Investments ($ in millions)	Principal Geography	Investment Date	Description	Fair Value
Extraction Oil & Gas (NASDAQ: XOG)	U.S.	May-14	E&P company in the U.S.	$32.7
Evans Delivery Company (Equity)	U.S.	Jun-12	Intermodal freight services company	21.6
Patheon (NYSE: PTHN)	U.S.	Mar-14	Manufacturing services for prescription drugs	18.8
The Warranty Group	Global	Jul-14	Underwriter & administrator of extended warranties	16.0
ProAmpac	Global	Nov-16	Leading global flexible packaging company	15.5
Saguaro	Canada	Jul-13	E&P company pursuing unconventional light oil/liquids-rich gas properties	14.1
Capsugel	Global	Jul-11	Hard capsules and drug delivery systems	13.7
Black Knight Financial Services (NYSE: BKFS)	U.S.	Dec-13	Mortgage servicing technology and appraisal / origination services	12.5
Financial Services Company*	Global	Sep-16	Global financial advisory and investment banking firm	12.2
Engineering Ingegneria Informatica	Italy	May-16	Italian IT firm	11.6
Consilio	U.S.	Jul-15	eDiscovery company providing end-to-end services globally	11.0
Marquee Brands	Global	Dec-14	Portfolio of consumer branded IP assets, licensed to third parties	10.9
RiverBed	U.S.	Feb-15	Provider of application performance infrastructure	10.8
LGC	Europe	Mar-16	Life sciences measurement and testing company	10.7
Ortholite (Equity)	U.S.	Apr-14	Provider of high-performance insoles and related shoe components	10.6
Petsmart	U.S.	Jun-15	Pet supplies retailer	10.1
Emerson Network Power	U.S.	Nov-16	Provider of data center infrastructure	10.0
Leaseplan	Europe	Apr-16	Fleet management company	9.3
Digital River (Equity)	U.S.	Feb-15	Digital eCommerce, payments and marketing solutions	9.1
Lasko Products	U.S.	Nov-16	Manufacturer of portable fans and ceramic heaters	9.0
Genetic Testing Company - Equity*	U.S.	Jun-13	Genetic testing company	8.4
Solace Systems	U.S.	Apr-16	Enterprise messaging solutions	8.2
ARUHI Corporation	Japan	Oct-14	Mortgage company in Japan offering primarily fixed rate mortgages	8.2
Gardner Denver, Inc.	U.S.	Jul-13	Maker of industrial equipment	7.5
Vencore	U.S.	Nov-10	High-end systems engineering to US Intelligence Industry	7.5
SolarWinds	U.S.	Feb-16	Provider of enterprise-class IT and infrastructure management software	7.4
Ellucian	Global	Sep-15	Developer of higher education ERP software	7.1
Brightview	U.S.	Dec-13	Commercial landscape and turf maintenance	7.0
Looking Glass	U.S.	Feb-15	Cyber security technology company	6.7
Berlin Packaging	U.S.	Oct-14	Supplier of rigid packaging materials and value-added services	6.7
Evoqua Equity	U.S.	Jan-14	Water treatment technology, equipment and services	6.6
Standard Aero	U.S.	Jun-15	Provider of aircraft maintenance, repair and overhaul services	6.5
Final Site	Global	Nov-16	Learning management software platform for K-12 independent and international sch	6.2
Aster / DM Healthcare	Middle East / India	Jun-14	Operator of hospitals, clinics and pharmacies	6.0
CSC Service Works	U.S.	Mar-15	Provider of outsourced services to laundry & air vending markets	5.8
GC Services	U.S.	Jan-16	Provider of call center management and collection agency services	5.1
Hilsinger	U.S. / U.K. / Australia	May-14	Supplier of eye wear and eye care accessories	4.9
ProMach	U.S.	Nov-14	Packaging machinery for consumer goods	4.6
Mills Fleet Farms	U.S.	Feb-16	Value-based retailer with 35 stores in the Midwest US	4.4
Gabriel Brothers	U.S.	Mar-12	Discount retailer	4.2
Inflection Energy	U.S.	Oct-14	Dry gas exploration company in the Marcellus Shale	4.2
Connector Company*	U.S.	Oct-15	Producer of embedded solid-state connectors	4.0
Alex & Ani	U.S.	May-15	Designer jewelry company	3.9
American Dental Partners, Inc.	U.S.	Feb-12	Dental practice management services	3.8
Snagajob	U.S.	Jun-16	Job search and human capital management provider	3.5
Centro	U.S.	Jun-15	Provider of digital advertising management solutions	3.4
Concord Bio	India	Jun-16	Active pharmaceutical ingredients manufacturer	3.4
Oticas Carol	Brazil	Apr-13	2nd largest eyewear retailer in Brazil	3.3
Syniverse Technologies	Global	Feb-11	Global telecommunications technology solutions	3.0
28 Other Direct Equity Investments (<$3m Individually)				29.9
Total Direct Equity Investments				**$474.9**

**Due to confidentiality agreements, company names cannot be disclosed.*
Note: Numbers may not sum due to rounding.

INCOME INVESTMENTS: KEY PORTFOLIO STATS

Portfolio Overview

31 Investments & **$139.0** million of fair value

Primarily junior debt investments, broadly diversified across sectors

2 year average holding period of companies active in the portfolio

Investment focus:

- Established and stable private-equity backed companies
- Primarily second lien / mezzanine portions of the capital structure
- High quality private equity sponsorship

Portfolio Metrics[1]

9.9% cash yield

11.2% estimated yield to maturity

$12.8 million of run-rate cash income

52% dividend coverage from portfolio income

Strong Performance

$225 million of distributions to NBPE from income investments during 2016

20 exited investments generated **$187** million of distributions in 2016

1. *Yield to maturity is inclusive of PIK interest and represents the IRR from this reporting period to the maturity of the investment. Small business loans are excluded from the yield calculation, but are at an interest rate at least at the rate stated above.*

NEW INVESTMENTS DURING 2016

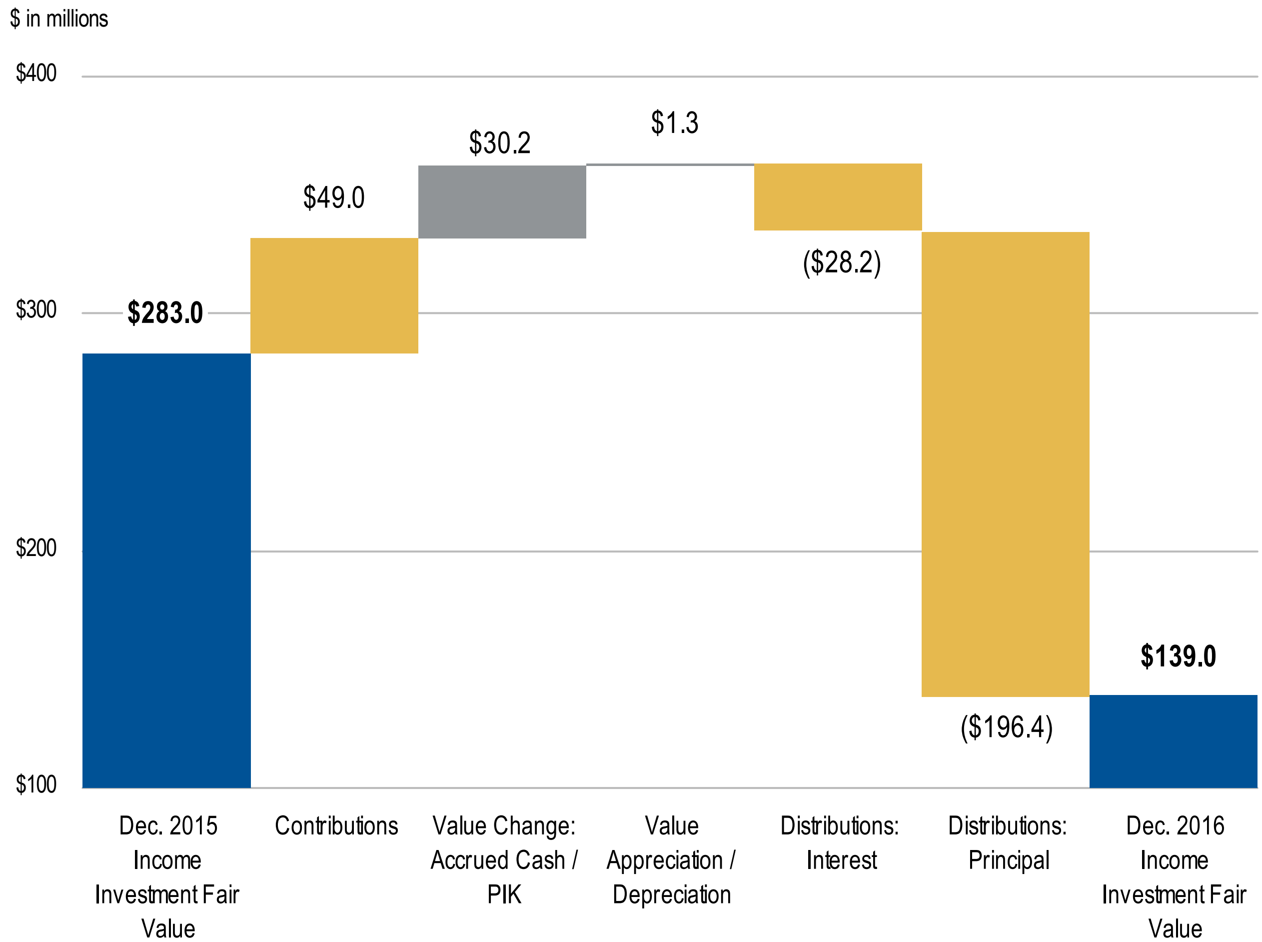
$36.8 million invested in **8** new income investments

GCA SERVICES GROUP — **$8.8m** invested. Equity Sponsors: THL & Goldman Sachs	• National provider of janitorial and custodial services
ProAmpac — **$5.9m** invested. Equity Sponsor: Pritzker Group	• Packaging company
asurion — **$4.2m** invested. Equity Sponsors: Madison Dearborn, Providence Equity, Welsh Carson, Berkshire Partners & CPP	• Provider of insurance for mobile phones and consumer electronics
MedAssets — **$2.9m** invested. Equity Sponsor: Pamplona Capital	• Healthcare performance improvement company
Generic Pharmaceutical Company* Undisclosed*	• Developer, manufacturer and distributor of generic prescription pharmaceuticals

*Note: *Due to confidentiality provisions, company name and values cannot be disclosed. An additional $12.6m was invested in three new credit opportunity investments (secondary positions), which are undisclosed positions.*

INCOME INVESTMENT PERFORMANCE

$28.2 million of interest income and **$196.4** million of principal repayments during 2016. Run rate cash income was **$12.8** million as of 31 December 2016



Note: Numbers may not sum due to rounding.

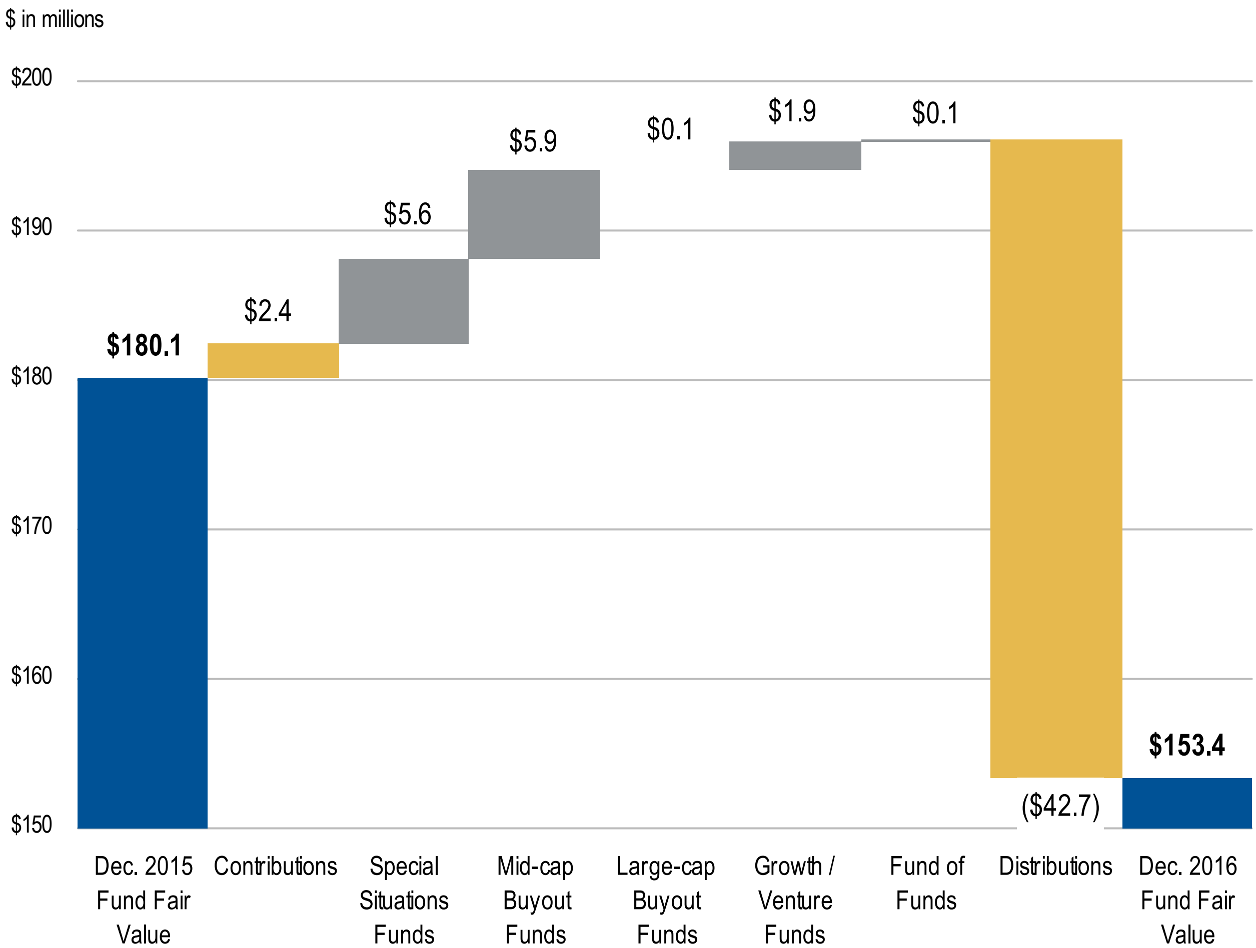
SCHEDULE OF INVESTMENTS

INVESTMENT NAME	SECURITY DETAILS	INVESTMENT DATE	MATURITY DATE	FAIR VALUE[1]	CASH + PIK COUPON	CASH YIELD	TOTAL EST. YTM
Income Investments							
Total Fleet Solutions	Second lien (L+9.5% Cash, 1.0% L Floor)	Dec-15	Dec-20	10.2	10.5%	10.4%	10.7%
Linxens	Second lien (L+8.25% Cash, 1.0% L Floor, 1% OID)	Oct-15	Oct-23	10.1	9.3%	9.2%	9.7%
Funding Circle	Portfolio of small business loans	Jan-15	N/A	10.0	N/A	N/A	N/A
Schumacher Group	Second lien (L+8.5% Cash, 1.0% L Floor, 1% OID)	Oct-15	Oct-23	9.9	9.5%	9.4%	9.8%
GCA Services	Second lien (L+9.0% Cash, 1% L Floor, 2.5% OID)	Mar-16	Mar-24	8.9	10.0%	10.1%	10.0%
Hyland	Second lien (L+7.25%, 1% Floor)	Jun-15	Jul-23	6.4	8.3%	8.1%	8.5%
Flexera	Second lien (L+7.0%, 1% L Floor, 0.5% OID)	Apr-14	Apr-21	6.1	8.0%	7.9%	8.1%
ProAmpac	Second Lien (L+8.50%, 1% L Floor)	Nov-16	Oct-24	6.0	9.5%	9.6%	10.0%
Central Security Group	Second lien (L+9.0% Cash, 1% L Floor, 5% OID)	Nov-14	Oct-21	5.9	10.0%	10.3%	10.5%
Taylor Precision Products	Sr. sub notes (13% Cash, 1.5% OID)	Nov-13	May-19	5.7	13.0%	13.1%	13.2%
Galco Industrial Electronics	Sr. sub notes (10.75% Cash, 1.25% PIK, 1.5% OID)	May-14	May-21	5.2	12.0%	10.5%	12.3%
P2 Energy Solutions	Second lien (L+8.00% Cash, 1.0% L Floor, 1% OID)	Nov-13	May-21	4.1	9.0%	11.1%	8.8%
Digital River Debt	Second lien (L+11.0% Cash, 1.0% L Floor, 1% OID)	Jan-15	Feb-22	2.5	12.0%	12.1%	11.8%
Generic Pharmaceutical Company	Senior secured term loan (L + 5.375%, 1% Floor)	Jan-16	Jan-23	2.4	6.4%	6.8%	6.9%
Term Loan (Medical Implants)	Second lien (L+8.50%, 1% L Floor, 6% OID)	Mar-15	Dec-22	2.3	9.5%	9.9%	10.0%
Royalty Notes (Internal Medication)	Royalty backed note	Jan-13	Jun-24	2.1	11.0%	11.6%	9.7%
Royalty Notes (Biotechnology)	Royalty backed note (9.375% Cash)	Mar-15	Mar-26	2.0	9.4%	9.1%	9.8%
Term Loan (Genetic Testing)	Senior secured loan (First Lien, 10% Cash, 1% Fee)	Jun-13	Jun-18	2.0	10.0%	10.0%	10.5%
13 Other Income Investments (< $2m Individually & Credit Opportunities Investments)				37.2	-	-	-
Total Income Investments				**$139.0**	**9.1%**	**9.9%**	**11.2%**

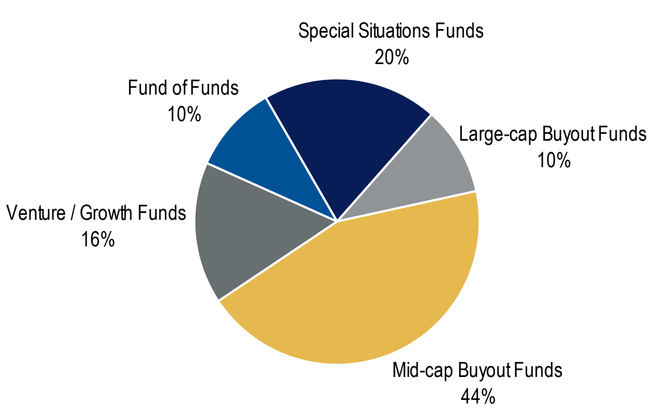
1. *The yield to maturity is inclusive of PIK interest and represents the return (IRR) from this reporting period to the maturity of the investment. Small business loans are excluded from the yield calculation, but are at an interest rate at least at the rate stated above.*

FUND INVESTMENT PERFORMANCE

$42.7 million of distributions during 2016



Fund Investment Distribution Activity by Asset Class



The largest distributions during 2016 were received from mid-cap buyout and special situations funds. During 2016, the largest fund distributions were received from NB Crossroads Fund XVIII, NB Crossroads Fund XVII and OCM Principal Opportunities Fund IV.

The Manager expects distribution activity in the fund portfolio to continue over the next several years as underlying managers focus on liquidity.

Note: Numbers may not sum due to rounding.

SCHEDULE OF INVESTMENTS

($ in millions) Fund Investments	Asset Class	Vintage Year	Fair Value	Unfunded Commitment[1]
Catalyst Fund III	Special Situations Funds	2011	$16.2	($0.0)
NB Crossroads Fund XVIII Mid-cap Buyout	Mid-cap Buyout Funds	Fund XVIII	13.1	7.1
NB Crossroads Fund XVII	Fund XVII (Diversified)	Fund XVII	9.9	1.7
Bertram Growth Capital II	Growth / Venture Funds	2010	9.7	1.8
Platinum Equity Capital Partners II	Special Situations Funds	2007	7.9	3.3
OCM Principal Opportunities Fund IV	Mid-cap Buyout Funds	2007	9.2	2.0
Sun Capital Partners V	Special Situations Funds	2007	7.1	1.1
Avista Capital Partners	Mid-cap Buyout Funds	2006	6.6	0.2
NB Crossroads Fund XVIII Venture Capital	Growth / Venture Funds	Fund XVIII	6.6	1.7
Bertram Growth Capital I	Growth / Venture Funds	2007	6.5	1.1
NG Capital Partners	Growth / Venture Funds	2010	6.2	0.5
Corsair III Financial Services Capital Partners	Mid-cap Buyout Funds	2007	5.8	0.9
Sankaty Credit Opportunities III	Special Situations Funds	2007	5.1	-
NB Crossroads Fund XVIII Large-cap Buyout	Large-cap Buyout Funds	Fund XVIII	4.1	2.2
Oaktree Opportunities Fund VIII	Special Situations Funds	2009	3.8	-
NB Crossroads Fund XVIII Special Situations	Special Situations Funds	Fund XVIII	3.8	0.9
Highstar Capital II	Mid-cap Buyout Funds	2004	2.9	0.1
NB Fund of Funds Secondary 2009	Mid-cap Buyout Funds	2009	3.0	0.7
OCM Opportunities Fund VIIb	Special Situations Funds	2008	2.8	3.0
DBAG Expansion Capital Fund	Growth / Venture Funds	2012	3.0	1.1
First Reserve Fund XI	Large-cap Buyout Funds	2006	2.6	-
ArcLight Energy Partners Fund IV	Mid-cap Buyout Funds	2007	2.7	4.6
CVI Global Value Fund	Special Situations Funds	2006	2.3	0.8
Aquiline Financial Services Fund	Mid-cap Buyout Funds	2005	2.3	-
Trident IV	Mid-cap Buyout Funds	2007	2.1	0.5
J.C. Flowers II	Large-cap Buyout Funds	2006	2.1	0.3
Lightyear Fund II	Mid-cap Buyout Funds	2006	2.0	1.4
6 Other Fund Investments (< $2m Individually)			$3.9	$2.2
Total Fund Investments			**$153.4**	**$39.1**

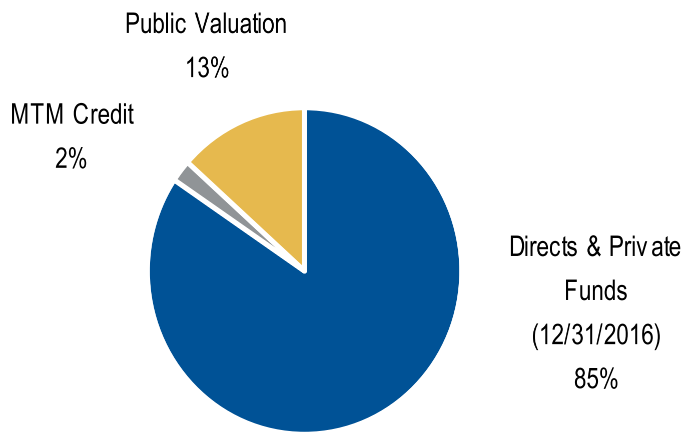
Note: Numbers may not sum due to rounding. The underlying NB Crossroads vintage year diversification is as follows (as a percentage of fair value): 2002 (<1%), 2003 (<1%), 2004 (3%), 2005 (12%), 2006 (35%), 2007 (43%), 2008 (6%), and 2010 (1%).

1. *$38.0 million of unfunded commitments are to funds past their investment period. Please refer to page 28 for more information on unfunded commitments to funds past their investment period.*

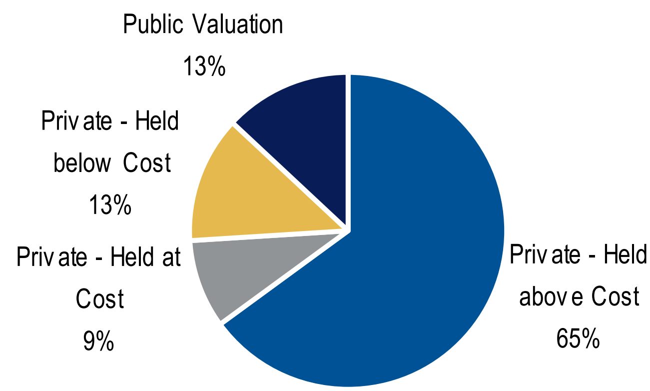
PORTFOLIO VALUATION

Following the receipt of additional valuation information after 19 January 2017, the publication date of the December monthly NAV estimate, the NAV per Share per the consolidated balance sheet of $15.43 was $0.48 higher than previously reported.[1] As of 31 December 2016, approximately 13% of fair value was held in public securities.

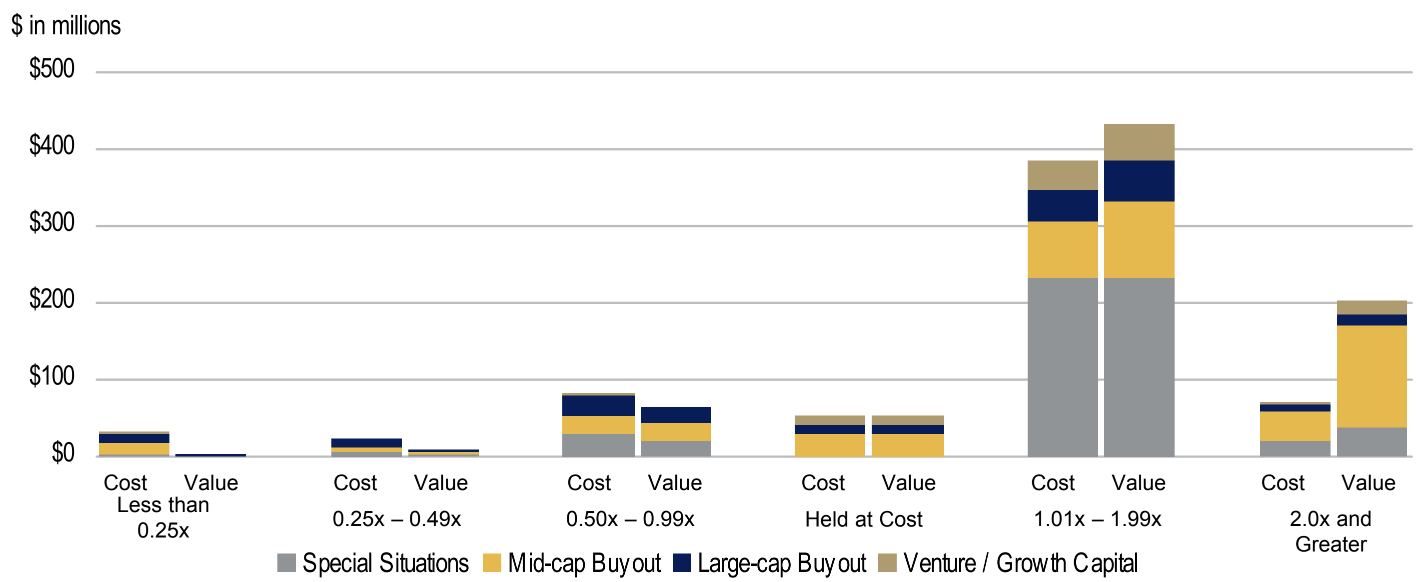
By Date of Information & Valuation Type (% of Fair Value)[2]



Valuation Method (% of Fair Value)



NBPE Portfolio Valuation by Asset Class



Note: Numbers may not sum due to rounding.

1. As reported in the monthly NAV estimate the percent of private equity fair value was held: 25% in direct investments, 12% in public securities and 2% in credit-related funds as of 31 December 2016 and 44% in direct investments and 17% in fund investments as of 30 September 2016.

2. Please refer to page 88 for a detailed description of the valuation policy. While some information is as of 30 September 2016, the Manager's analysis and historical experience lead the Manager to believe that this approximates fair value at 31 December 2016.

2016 IPO ACTIVITY & PUBLIC STOCK EXPOSURE

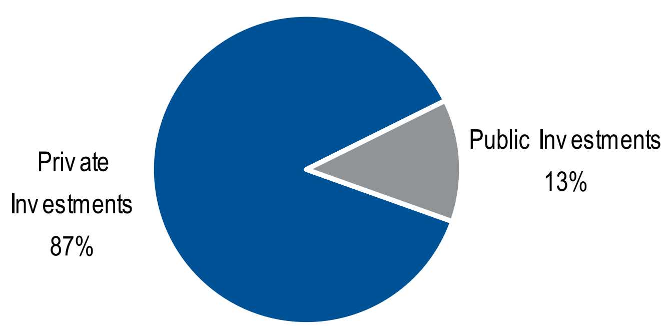
Fourteen companies in NBPE's portfolio, representing $56.5 million of unrealised value, completed initial public offerings ("IPOs") during 2016, which may lead to future distributions to NBPE. The investments below represent the top five companies by value that completed an IPO during 2016:

- Extraction Oil & Gas (NASDAQ: XOG) – direct equity investment
- Patheon Holdings Cooperatief U.A. (NYSE: PTHN) – direct equity investment
- Advance Pierre Foods Holding Corp (NYSE: APFH) – OCM Principal Opportunities Fund IV
- American Renal Holdings, Inc.(NYSE: ARA) - NB Crossroads Fund XVII, NB Crossroads Fund XVIII
- Parques Renunidos S.A. (Bolsa de Madrid: PQR) - NB Crossroads Fund XVII

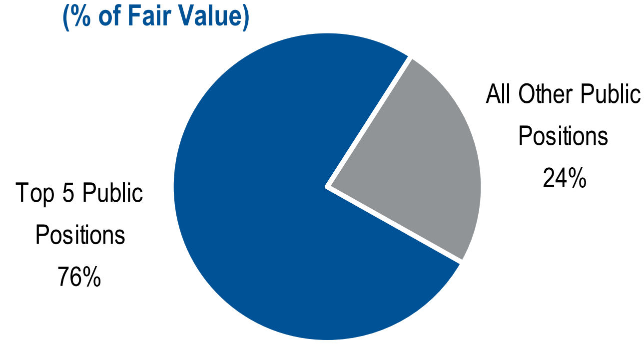
The top five public stock exposures are listed below:

- Extraction Oil & Gas (NASDAQ: XOG): $32.7 million
- Patheon Holdings Cooperatief U.A. (NYSE: PTHN): $18.8 million
- Black Knight Financial Services (NYSE: BKFS): $13.1 million[1]
- First Data Corporation (NYSE: FDC): $2.9 million
- Fairmount Santrol Holdings (NYSE: FMSA): $2.5 million

Public vs. Private Investments (% of Fair Value)



Concentration of Public Investments (% of Fair Value)



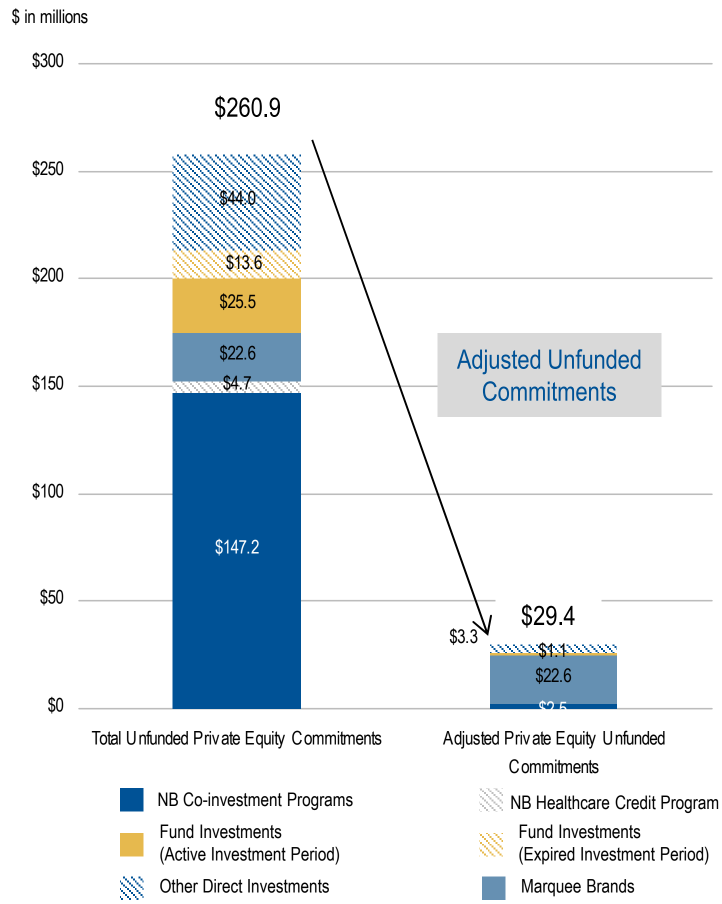
Note: Numbers may not sum due to rounding
1. Valuation is based on the underlying share price of Black Knight Financial Services and additional entity that remains private.

UNFUNDED COMMITMENTS & CAPITAL RESOURCES

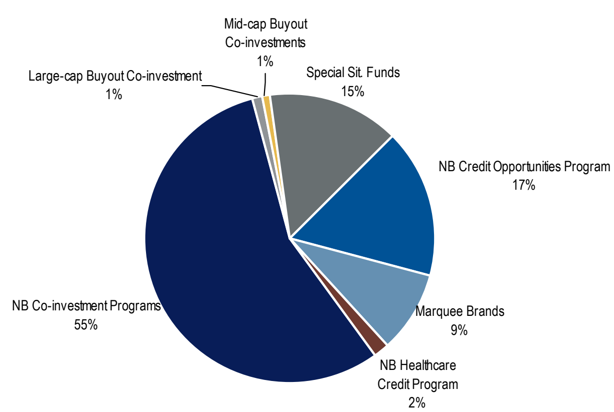
As of 31 December 2016, NBPE's unfunded commitments were approximately $260.9 million. Approximately $147.2 million, $4.7 million, $44.0 million, and $22.6 million were unfunded commitments to the NB Alternatives Co-investment and Healthcare Credit Programs, NB Credit Opportunities Program and Marquee Brands, respectively. Approximately $13.6 million of unfunded commitments were to fund of funds managed by the Manager and $25.5 million of unfunded commitments were to third party direct funds. Within the fund portfolio, $38.0 million of the unfunded commitments are to funds past their investment period. The Manager believes a large portion of this amount is unlikely to be called. However, some amount may be called for fees, expenses and / or follow-on investments.

The Manager analysed the unfunded commitments on an adjusted basis. Unfunded commitments were adjusted by removing unfunded commitments past their investment period, amounts which NBPE has the ability to terminate if it so chooses, and unfunded commitments to funds managed by the Manager. Following these adjustments, the unfunded commitments were $29.4 million.

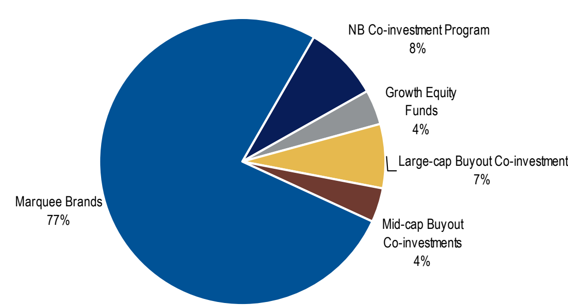
As of 31 December 2016, NBPE had $93.7 million of cash and available borrowings under the credit facility of $150.0 million, totaling $243.7 million of total capital resources. On an adjusted basis this corresponds to excess capital resources of $214.3 million and a commitment coverage ratio of 829%.



Total Actual Unfunded Private Equity Commitments ($260.9m)



Adjusted Unfunded Private Equity Commitments ($29.4m)



Note: Numbers may not sum due to rounding.

CREDIT FACILITY OVERVIEW

On 7 June 2016, the Company entered into an agreement with JP Morgan Chase Bank, N.A. (the "2016 Credit Facility") to refinance the 2012 Credit Facility. The 2016 Credit Facility's availability is up to $150.0 million (including a $25.0 million accordion whereby the Company is able to increase available borrowings) that expires in June 2021. Beginning in year four, the 2016 Credit Facility carries mandatory amortisation of outstanding balances of 25% per calendar quarter. The 2016 Credit Facility is guaranteed by the Company (the "Parent Guarantor") as well as all of the Company's subsidiaries (except for NB PEP Investments LP (Incorporated), being the borrower under the 2016 Credit Facility) and secured by substantially all of the assets of the Parent Guarantor and its subsidiaries. At 31 December 2016 there were no amounts borrowed under the facility.

Under the 2016 Credit Facility, the interest rate is calculated as LIBOR (based on 3-month LIBOR) plus 3.75% per annum. In addition, under the 2016 Credit Facility, the Company is required to pay an undrawn revolving fee of 1.25% per annum on the daily balance of the unused facility amount. The Company is also subject to certain minimum draw requirements, which if not met, subjects the Company to an additional utilization fee on any undrawn amounts that are below the minimum draw requirement.

Under the 2016 Credit Facility, the Company is required to meet a maximum over-commitment test, certain loan-to-value ("LTV") ratios, performance event tests and certain portfolio concentration tests.

The maximum over-commitment test is performed on an adjusted unfunded basis, and is designed to limit the amount of unfunded obligations the Company and its subsidiaries may enter into. Adjusted unfunded obligations cannot exceed the lesser of: 1) $50 million, plus unrestricted cash, plus the undrawn credit facility or 2) 15% of the adjusted market value of eligible investments.

The Company is subject to a number of LTV ratios in order to be in compliance with the 2016 Credit Facility. The drawdown LTV ratio is 25% and the maximum LTV ratio is 40%. If the LTV ratio exceeds 40%, the Company is subject to certain requirements to lower the LTV ratio to the maintenance margin of 35%, within certain timeframes. If at any time the LTV ratio exceeds 60%, the Company is forced to make prepayments on the loan balance on an expedited basis.

Certain cash distributions, including dividends, are subject to an LTV release ratio of less than 35%, unless a performance event has occurred. The performance event test is measured against the level of the S&P 500 index. If the S&P 500 index value falls by 30% in any 120 day period, certain cash distributions, including dividends, are subject to an LTV release ratio of 20%.

The Company is subject to certain portfolio concentration tests which limit the amount of exposure the Company may have in certain areas.

At 31 December 2016, the Company met all requirements under the 2016 Credit Facility.

Note: Numbers may not sum due to rounding.

The directors present their annual financial report and consolidated financial statements of NB Private Equity Partners Limited and its subsidiaries which are detailed on page 59 (together the "Company") for the year ended 31 December 2016.

Business Review

The following information is provided to give information primarily related to the Company's business. This review should be read in conjunction with the Chairman's Statement, the Investment Manager's Report, the Corporate Governance Report, the Audit Committee Report, the Risk Report, the Viability Statement and the Consolidated Financial Statements.

Principal Activity

NBPE is a closed-end investment company registered in Guernsey. The Company's registered office is Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY. The Company's Class A Shares are listed and admitted to trading on the regulated market of Euronext Amsterdam N.V. by NYSE Euronext and on the Specialist Fund Segment of the Main Market of the London Stock Exchange plc under the symbol "NBPE". NBPE has 2017 ZDP Shares admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange and the Daily Official List of The International Stock Exchange under the symbol "NBPZ" and 2022 ZDP Shares admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange under the symbol "NBPP" (see note 6 of the consolidated financial statements).

Investment Manager and Administrator

The Company is managed by NB Alternatives Advisers LLC (the "Investment Manager") pursuant to an Investment Management and Services Agreement. The Investment Manager is a subsidiary of Neuberger Berman Group LLC ("Neuberger Berman"). The Company's administrator is Heritage International Fund Managers Limited ("Heritage" or the "Administrator").

The Company is managed by the Investment Manager pursuant to an Investment Management and Services Agreement, described further on page 31 of this report. The Investment Manager is responsible for the day-to-day management of the Company, sourcing, evaluating and making investment decisions related to the Company and executing the Company's business plan. The Investment Manager makes the decisions regarding individual investments in line with the investment strategy set by the board. The Investment Manager's team of professionals is also responsible for managing the Company's assets including monitoring the Company's investment portfolio and assigning valuations to the Company's investments based on the Company's valuation policy, which can be found on page 88 of this report.

The Company utilizes Heritage for certain administrative functions relating to corporate services as well as Guernsey regulatory matters which could affect the Company. Heritage is responsible for the day-to-day administration of the Company and acts as the Company Secretary and Administrator. The Company pays Heritage a fee for these services as invoiced by Heritage. The fees paid to Heritage can be found on page 70 of this report.

MUFG Capital Analytics LLC ("Capital Analytics") is responsible for maintaining the Company's books and records, the database which stores information related to the Company's investments, and certain other accounting, finance and other general fund administrative services for the Company. Capital Analytics is delegated this responsibility through a services agreement with the Investment Manager where the Investment Manager delegates certain fund administration responsibilities to Capital Analytics.

Investment Objective

The Company's investment objective is to produce attractive returns by investing in the private equity asset class through income investments, direct equity investments and fund investments while managing investment risk through diversification across asset class, vintage year, geography, industry and sponsor.

Investment Policy

The Company invests in private equity assets, which consist of direct equity investments, income investments, and private equity fund investments. Direct equity investments are direct investments in underlying companies and are made alongside private equity sponsors. Income investments include traditional corporate private debt investments and healthcare credit investments, which consist of loans to companies in the healthcare sector and royalty backed notes. From time to time, the Company may also make other opportunistic investments, as appropriate.

Dividend Policy

The Company instituted a long-term policy of paying sustainable dividends to shareholders in 2013. The Company seeks to maintain a portfolio of income investments to help support the dividend payment from the run-rate cash income it receives from these investments. The board believes paying the dividend at least partly from the contractual cash income leads to more sustainable dividends in the long run; however, the board further recognizes that dividend coverage from the contractual cash income may fluctuate at times, based on the overall level of income investments in the portfolio and prevailing yields in the market.

The Company also offers both a Currency Election for UK shareholders and dividend re-investment plan for shareholders who wish to reinvest their dividends to grow their shareholding.

Principal Risks and Uncertainties

The directors believe the Company faces a number of risks and uncertainties as an investment company. The principal risks and uncertainties are outlined in the Risk Report, beginning on page 43 of the report.

Investment Management and Services Agreement

NBPE, NB PEP Investments LP (Incorporated) and the Investment Manager entered into an Investment Management and Services Agreement on 25 July 2007 (as amended and restated on 25 January 2008), whereby the Investment Manager, subject to the overall supervision of the directors, was appointed as NBPE's Investment Manager.

Given the Company's investment objective and policy, described above, and the responsibilities of the Investment Manager, described on page 30 of this report, the directors are of the opinion that the continued appointment of the Investment Manager is in the best interest of shareholders.

Administration Agreement & Limited Partnership Agreement

NBPE and the Administrator entered into an Administration Agreement on 3 July 2007 (as amended by side letter on 22 September 2009), whereby the Administrator was appointed NBPE's administrator and company secretary.

NBPE, as General Partner to NB PEP investments LP (Incorporated), and NB PEP Associates LP (Incorporated), as Special Limited Partner, entered into the Limited Partnership Agreement of NB PEP Investments LP (Incorporated) on 25 July 2007, as amended and restated on 16 July 2008.

Viability Statement

The board has evaluated the long-term prospects of the Company, beyond the 12 month time horizon assumption within the going concern framework. Further details of the forecast and the process for assessing long-term prospects of the Company are set forth below and the board believes this analysis provides a reasonable basis to support the viability of the Company.

Following the refinancing of the Company's credit facility in June 2016 and the successful issuance of 2022 ZDP Shares in September 2016, the board believes the Company is in a strong financial position. The board believes the Company will be in a position to fully repay the maturing 2017 ZDP Shares in May 2017 either through cash on the balance sheet, from borrowings drawn under the Company's credit facility, or both. As part of the ongoing risk management, the board, assisted by the Manager undertook a rigorous and robust assessment of the principal risks to which the Company is exposed. However, the board acknowledges any sudden or prolonged market downturn or period of market illiquidity is a continued risk and uncertainty facing the Company, and this could impact underlying investments or cash flows to the Company. As a result, the financial position of the Company could be weakened and the directors view this as a principal risk and uncertainty facing the Company.

The directors have selected a three year window for evaluating the potential impact to the Company on the following basis:

- Investments are subject to overall financial market and economic conditions. Projecting long-term financial and economic conditions is inherently difficult, but a three year window is a reasonable time horizon
- Private equity funds typically deploy capital over a three to five year period
- Medium term outlook of underlying company performance is typically assessed for valuation purposes
- The weighted average stated maturity for income investments is four years, but the average holding period is two years
- While the Company has a strong financial position from cash on the balance sheet and borrowings available under the credit facility, the repayment of the 2017 ZDP Shares is a near term cash outflow

The Manager utilises a detailed financial model which forecasts returns and cash flows on an asset by asset basis. The Manager used the global financial crisis as a basis for creating a downside case by analysing its impact on the Company in 2009. During the financial crisis, distribution activity from direct equity investments and fund investments slowed materially to the Company. The Manager made certain assumptions to represent a downside case in the financial model to forecast returns and future cash flows. Based on these assumptions, the Manager provided a cash flow forecast to the directors in order to evaluate the principal risks and uncertainties facing the Company.

The key finding from this analysis was: investment activity would need to be materially reduced from the base case investment plan over the next three year period; however, NBPE would have cash available to fully repay ZDP shares from estimated cash flows and could continue to pay its dividends. In addition, under this scenario, NBPE would need to borrow under the credit facility over the next three years; however, leverage levels would remain and borrowings were forecast to be repaid in full by 2019.

As a result of this analysis, the directors believe the Company can effectively manage the principal risks and uncertainties and remain confident that the Company will be able to continue in operation over the period of at least three years.

Results and Dividends

The financial results for the year ended 31 December 2016 are included in the consolidated financial statements, beginning on page 59. As of 31 December 2016, the net asset value attributable to the Class A Shares was $776.6 million, which represents an increase of $76.3 million relative to the net asset value attributable to the Class A Shares of $700.3 million as of 31 December 2015. During 2016, the Company paid total dividends to holders of Ordinary Shares of $0.50 per Share. Including the dividend payments, the total return for the year was 14.8%, assuming the re-investment of dividends.

For and on behalf of the Board

Talmai Morgan
Director

John Falla
Director

Date: 27 March 2017

Major Shareholders

As at 31 December 2016, insofar as is known to NBPE, the following persons were interested, directly or indirectly, in 3% or more of the Class A Shares in issue (excluding Class A Shares held in treasury):

Shareholder	Number of Class A Shares	Shareholder	Number of Class A Shares
Smith & Williamson Investment Mgmt.	5,463,391	Cathay Life Insurance	2,000,000
Asset Value Investors	4,888,275	Derbyshire County Council	1,876,003
Quilter Cheviot Investment Mgmt.	4,518,442	Seven Investment Mgmt.	1,724,664
ING Bank	3,770,653	First Clearing	1,480,485
City of London Investment Mgmt.	2,203,379	Cazenove Capital Mgmt.	1,465,975
Baillie Gifford & Co.	2,063,542		

Going Concern

The Company's principal activities and investment objective are described on page 30 of the report, and the Company's financial position is stated on page 59 of the report. Note 2 of the Company's Notes to Consolidated Financial Statements describes the Company's risks with respect to market, credit and liquidity risk. On page 29 of the report, the Company's liquidity and available borrowing facilities are described. The Company's cash flows are provided on page 63 of the report. Given the Company's cash flows and financial position, the directors believe the Company is in a strong financial position and has the financial resources available to help mitigate and manage risks.

Therefore, the directors have a reasonable expectation that the Company has adequate resources to continue to operate into the foreseeable future and accordingly the financial statements have been prepared on a going concern basis of accounting.

Investment and Company Performance Evaluation

In order to evaluate the ongoing performance of the Company's investments, the directors utilize various sources of information. In addition, the board receives formal reports from the Investment Manager and the Company's corporate brokers. The Investment Manager's report to the board includes:

- Investment performance and portfolio composition: the board reviews detailed performance by investment as well as detailed analysis on the underlying portfolio composition provided by the Investment Manager. The board evaluates the portfolio composition and income from the income investment portfolio to assist in decisions regarding dividends paid by the Company
- Company financial position and net asset value: the board reviews the Company's financial position and the performance of the Company's net asset value
- Returns information: the board evaluates both the NAV per Share return and the NAV total return, including the Company's dividends

The board regularly receives updates from the Company's corporate brokers to analyze and monitor the Company's share price, dividend yield, liquidity and share price discount to NAV.

Shareholder Communication

The board welcomes shareholders' views and places great importance on communication with its shareholders. Directors and representatives from the Investment Manager are available to discuss updates on the Company. The Investment Manager regularly conducts investor conference calls following the release of quarterly, interim and annual financial reports and is available at other times, if required. The Chairman has met with a number of shareholders during the year and, along with the other directors, is available to meet at other times, if required. The Company maintains a website which contains comprehensive information including Company notifications, share information, financial reports, investment objectives and policy, investor contacts and information about the board and corporate governance. The Company releases monthly NAV updates, which details performance, the financial position of the Company and the underlying diversification of the portfolio. The quarterly, interim and annual financial reports provide shareholders with more detail on the portfolio and an update on the performance of the Company. In addition, the Investment Manager publishes investor presentations following the release of quarterly, interim and annual financial reports, as well as other times throughout the year.

Share Buy-Back Agreement

NBPE was party to a Share Buy-Back Agreement with Jefferies International Limited ("JIL") in relation to the market repurchases of Class A Shares on behalf of NBPE. The Share Buy-Back Programme expired on 31 May 2016. A new programme remains an option for the Company in future periods, if deemed suitable by the Directors at a later time.

Change of Control

There are no agreements that the Company considers significant and to which the Company is party that would take effect, alter or terminate upon change of control of the Company following a takeover bid.

List of NBPE Subsidiaries

Name	Place of Incorporation (or registration) and operation	Proportion of Ownership Interest %
Directly Owned		
NB PEP Investments, LP (Incorporated)	Guernsey	99.9%
Indirectly Owned		
NB PEP Investments Limited	Guernsey	99.9%
NB PEP Investments DE, LP	United States	99.9%
NB PEP Investments LP Limited	Guernsey	99.9%
NB PEP Investments I, LP (Incorporated)	Guernsey	99.9%
NB PEP Holdings Limited	Guernsey	99.9%
Various holding entities for specific investments	United States	99.9%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the consolidated financial statements for each financial year which give a true and fair view, in accordance with applicable law and regulations and in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these consolidated financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the consolidated financial statements. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the consolidated financial statements comply with the Companies (Guernsey) Law, 2008 (the "Law"). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of Information to Auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Law.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Responsibilities

The directors confirm that to the best of their knowledge:

- The consolidated financial statements, prepared in conformity with U.S. GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole as required by the Disclosure and Transparency Rules ("DTR") 4.1.12R and by the Section 5.25c of the Financial Supervision Act of the Netherlands and are in compliance with the requirements set out in the Companies (Guernsey) Law, 2008 as amended; and
- The Annual Financial Report includes a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R of the Disclosure and Transparency Rules and the Financial Supervision Act of the Netherlands, which provides an indication of important events that have occurred since the end of the financial year and the likely future development of the Company and a description of principal risks and uncertainties during the year.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Legislation in Guernsey governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

By order of the board

Talmai Morgan
Director

John Falla
Director

Date: 27 March 2017

CORPORATE GOVERNANCE REPORT

Introduction

The board of NBPE has considered the principles and recommendations of the 2016 AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to NBPE.

The board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders. Copies of the AIC Code and the AIC Guide can be found at www.theaic.co.uk.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:
- The role of the chief executive;
- Executive directors' remuneration; and
- The need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the board considers these provisions are not relevant to the position of NBPE, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Directors believe that this Annual Report and financial statements present a fair, balanced and understandable assessment of the Company's position and prospects, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board Composition and Independence

The board is comprised of five directors and has elected Mr. Morgan to be its Chairman. Mr. Sherwell sits on the board of NB Distressed Debt Fund Limited ("NBDD ") whose investment manager is Neuberger Berman Europe Limited. The board believes that, notwithstanding this, Mr. Sherwell remains independent as the businesses of NBDD and the Company are significantly different and have different managers which are geographically separated. Mr. Morgan also sat on the board of NBDD but resigned as a director of NBDD on 8 February 2016. He no longer has any involvement with any other Neuberger Berman company and is therefore independent. Mr. Falla joined the board of the Company in 2015 and is also independent.

Mr. Buser and Mr. Von Lehe are deemed not independent as they are employed by a Neuberger Berman group company. The board also believe that Mr. Buser and Mr. Von Lehe bring a significant amount of experience and expertise to the board; however, as non-independent directors, they do not sit on the Audit Committee and are not involved in matters concerning the Investment Manager.

The directors review their independence annually. All directors offer themselves for re-election at least once every three years.

The Board Composition and Independence (Cont.)

The biographical details of the directors are presented on pages 55 and 56 of the report and demonstrate the range of financial, legal, investment and accounting professional experience. The directors believe the wide range of experience and expertise in different professional areas allows for each to contribute and lead on certain issues and topics which affect the Company, and each director contributes meaningfully to the ongoing activities of the Company.

The biographical information also includes a list of other public company directorships for each of the directors. In its consideration of any new or additional directors the board will always seek to make the most appropriate appointments taking into full account the benefits of diversity including gender.

The board has established a Management Engagement Committee and an Audit Committee, which are described below.

Management Engagement Committee Responsibilities

The Management Engagement Committee is comprised of Mr. Morgan, Mr. Falla and Mr. Sherwell as Chairman. Mr. Falla joined the committee in December 2015, following his appointment to the Company. The principal function of the Management Engagement Committee is to review annually the terms of the Investment Management Agreement between the Company and the Investment Manager. Additionally, the Management Engagement Committee may review annually the performance and terms of engagement of any key service providers to the Company, as appropriate. The Management Engagement Committee meets at least once a year and at other times as required by the board.

Audit Committee

The Audit Committee is comprised of Mr. Morgan, Mr. Sherwell, and with Mr. Falla as Chairman. Details of the Audit Committee responsibilities and activities during the year can be found beginning on page 50. A full copy of the Audit Committee terms of reference are available from the Company Secretary.

Board Meetings and Meeting Attendance

The board meets at least four times a year to discuss important Company developments and ongoing activities, including reviewing and evaluating the dividend, monitoring and adapting, as necessary, the investment strategy, and reviewing the financial and investment performance of the Company. The Investment Manager and the Company's Administrator furnish the directors with relevant materials, including investment reports, risk analysis and other documents in a timely manner prior to each board meeting. In addition, an agenda is circulated to the directors prior to the meeting and the directors may consider additional topics for discussion prior to each board meeting. The non-independent directors, along with other representatives from the Investment Manager, attend the meetings to report to the board on relevant updates regarding investment performance and investment activities.

During the year ended 31 December 2016, the board, Audit Committee and Management Engagement Committee conducted four, three and two meetings, respectively. The attendance of the individual directors at those meetings is shown on the following page. In addition to the scheduled board meetings on the following page, the board met ten other times throughout the year to discuss a number of relevant issues for the Company including dividend payments, the credit facility refinancing and issuance of 2022 ZDP Shares.

Board Meetings and Meeting Attendance

	Scheduled Board Meetings		Audit Committee Meetings		Management Engagement Committee Meetings	
	Held:	Attended:	Held:	Attended:	Held:	Attended:
Talmai Morgan:	4	4	4	4	2	2
John Buser:	4	4	4	N/A	2	N/A
Christopher Sherwell:	4	4	4	4	2	2
Peter Von Lehe:	4	4	4	N/A	2	N/A
John Falla:	4	4	4	4	2	2

Directors' Appointment

No director has a service contract with the Company. Any director may resign in writing to the board at any time.

Tenure of Non-Executive Directors

The Board has adopted a policy on tenure that is considered appropriate for an investment company. The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager or necessarily affects a Director's independence. The Board's tenure and succession policy seeks to ensure that the Board is well balanced and will be refreshed from time to time by the appointment of new directors with the skills and experience necessary to replace those lost by director's retirements. Directors must be able to demonstrate their commitment to the Company. The Board seeks to encompass relevant past and current experience of various areas relevant to the Company's business.

Directors' Remuneration

The Company pays a fee to the independent directors for their work related to the Company's business. During the year ended 31 December 2016, the directors fees were paid as follows: the Chairman, $75,000; the Chairman of the Audit Committee, $60,000; and the third independent director, $60,000. The independent directors also each received $7,500 for their work related to the 2022 ZDP issuance. The Company does not pay any directors fees to the non-independent directors. The board has not established a Remuneration Committee as this is determined by the board as a whole and the board considers this sufficient.

Induction/Information and Professional Development

Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice by, amongst others, the Company Secretary and the auditors. Advisers to the Company also prepare reports for the Board from time to time on relevant topics and issues. In addition Directors attend relevant seminars and events to allow them continually to refresh their skills and knowledge and keep up with changes within the investment company industry.

Induction/Information and Professional Development (Cont.)

The Chairman reviewed the training and development needs of each Director during the annual Board evaluation process. He confirmed that all directors actively kept up to date with industry developments and issues.

When a new Director is appointed to the Board, he/she is provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, the new Director also spends time with representatives of the Company Secretary and the Investment Manager in order to learn more about their processes and procedures.

Performance Evaluation and Training

The directors complete evaluations of the board and Chairman on a yearly basis. The board adopted this process in 2012. The goal of the evaluation of the board is for each director to assess the effectiveness of the board's performance. The directors also complete a Chairman evaluation on a yearly basis. The evaluations are completed through the form of questionnaires and discussion. Following the last evaluation in 2016, it was concluded by the board that the performance of both the board and the Chairman was satisfactory.

Director Indemnity

To the extent permitted by the Companies (Guernsey) Law, 2008 (as amended), the Company's Articles of Incorporation indemnify the directors out of the Company's assets from and against all liabilities in respect of which they may be lawfully indemnified, except for any liability (if any) as they shall incur or sustain by or through their own willful act, negligence or default. During the year, the Company has maintained insurance cover for its directors and officers under a directors and officers liability insurance policy.

Shareholdings of the Directors

The Shareholdings of the directors as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Talmai Morgan:	10,000 Class A Shares	10,000 Class A Shares
John Buser:	10,000 Class A Shares	10,000 Class A Shares
Christopher Sherwell:	9,150 Class A Shares	9,150 Class A Shares
Peter Von Lehe:	7,500 Class A Shares	7,500 Class A Shares
John Falla:	2,000 Class A Shares	N/A

Corporate Social Responsibility

The Company does not have a formal Corporate Social Responsibility policy but instead relies on Neuberger Berman's policy related to Corporate Social Responsibility for new investments. Neuberger Berman, the parent company of the Investment Manager, is a signatory to the Principles for Responsible Investment ("PRI") and diligently addresses Environmental, Social and Corporate Governance ("ESG") issues with regard to investing. The Investment Manager follows the policies of Neuberger Berman and conducts due diligence with respect to these policies for new investments. More information on Neuberger Berman's Corporate Social Responsibility and PRI can be found under the About section of Neuberger Berman's website at www.nb.com.

Corporate Social Responsibility (Cont.)

Underlying fund investments within the portfolio may also have their own set of internal procedures or policies relating to PRI and ESG issues for investment activities. The Investment Manager was unaware of any circumstances during 2016 that arose in the portfolio which would impact the PRI and ESG investment policies.

Value Creation and Preservation

The directors seek to generate value for the Company over the long-term, in accordance with the Company's investment objectives as described under the Strategic Report on page 31 of this report. In addition, the directors seek to manage investment risk and key risks to the Company in order to preserve value for the Company. Information on the identification, assessment and management of risks can be found in the Risk Report beginning on the next page.

Risk Report

The Company is subject to a number of risk factors and include, but are not limited to, those identified on the following pages throughout the risk report. The directors seek to appropriately manage, but not eliminate risk, through the identification and control of risks; therefore there is only a reasonable assurance against fraud, misstatements or losses to the Company. The following pages summarize some, but not all, of the risks to the Company's business, how the Company controls risks, as well as risk factors related to the Company's Class A Shares, Class B Shares and ZDP Shares.

Control Objective	Perceived Risk	Key Controls
External Risks: Market Economic Interest rates Reputation Regulatory	• Health of financial markets • General economic conditions • Changes in interest rates • Reputational risks • Changes to regulations which impact the Company	• Investing in assets which offer the best risk / return profiles • Extensive due diligence • Majority of the income portfolio in floating rate debt • In-house and external legal counsel monitoring key regulatory developments
Strategic Risks: Meeting business plan / objectives Share price discount to NAV Managing communication	• Ability to meet key investment level targets • Sustaining dividend from cash income generated by income investments • Persistent trading discount of Share price to NAV • Information flow to markets	• Quarterly board meetings to review and adjust business and investment strategy as necessary • Monitoring of the investment portfolio • Dividend policy to the benefit of shareholders; option to repurchase Shares • Regular and timely reporting of performance
***Investment Risks*:** Investment decisions Investment performance Exit decisions Valuation of investments Performance of the portfolio	• Finding suitable investment opportunities • Investment underwriting • Achieving investment returns and finding exit opportunities • Reported NAV / valuation of investments vs. liquidated cash value • Generating NAV outperformance relative to benchmarks	• Extensive due diligence and investment process • Reasonable assumptions used in underwriting • Seeking investments with shorter duration and clear exit paths • Robust and consistent valuation process and reported NAV updates on a monthly basis
Financial Risks: Liquidity management Credit facility ZDP Liability Foreign exchange	• Cash needs to fund investments and ongoing business operations • Maintaining appropriate debt levels and complying with financial covenants • Meeting final capital entitlement of 2017 and 2022 ZDP Shares • Foreign exchange exposure	• Cash flow forecasting and return modeling to project future cash needs • Monitoring of financial ratios and covenant headroom • Forward currency contract to hedge, in part, currency exposure

Risk Report (Continued)

Control Objective	Perceived Risk	Key Controls
Operational Risks: Key professionals IT Systems Compliance	• Attracting and retaining key business and investment professionals • Alignment of incentives • Maintaining systems and infrastructure to achieve business objectives • Regulatory compliance	• Resources of Neuberger Berman for attracting and retaining talent • Policies and procedures for all professionals of the Investment Manager and the Administrator • IT infrastructure and systems maintained by the Investment Manager and the Administrator • Significant levels of internal controls and monitoring by compliance departments within the Investment Manager and the Administrator

External Risks

External risks are those risks that are largely outside the Company's control but which could nevertheless impact the valuation of the Company's investments. These risks are difficult to quantify, are uncertain in nature, and the overall impact to the Company could vary depending on the degree of these external risks. For example, the operating performance of the companies within the investment portfolio are generally tied to overall economic conditions and if economic conditions worsened the financial performance of some or all of the companies within the investment portfolio could be negatively impacted. In addition, there is a significant amount of investments deployed in corporate private debt investments and healthcare credit investments. A sustained rise in the level of interest rates could impact the value of some or all of these investments. However, the directors believe having a meaningful amount invested in floating versus fixed rate debt helps to mitigate this risk.

The Company must comply with numerous regulations across multiple jurisdictions. Changes to regulations may require additional actions or procedures for the Company to take, which could result in additional costs to the business. The Company also relies on the resources of the Investment Manager, external counsel and the Company's Administrator to follow and track the ongoing developments in regulation.

Strategic Risks

Strategic risks are largely risks associated with the execution and achievement of planned objectives as well as meeting key business targets. To mitigate these risks, the Investment Manager closely tracks the investments within the portfolio and monitors the portfolio relative to the planned objectives. In addition, the directors receive updates from the Investment Manager on the performance of the portfolio at each quarterly board meeting. The board meetings also serve as a time to review and discuss the business plan and investment objectives. The current key strategic risk for the Company is meeting the required investment level within its income investment portfolio so that the Company's dividend can be fully supported from the cash income this portfolio generates. Another strategic risk is the persistent trading discount of the share price to NAV. The board and the Investment Manager continue to monitor the trading discount and evaluate ways to enhance shareholder value over time.

Risk Report (Continued)

Investment Risks

Investment risks are risks that pertain to the investments within the Company's portfolio and include investment and exit decisions, underwriting of investments, investment performance and the valuation of investments. The Investment Manager's team of investment professionals seek to manage investment risk through thorough due diligence and through diversification across asset class, vintage year, geography, industry and sponsor. Investment decisions are made by the Private Investment Portfolios Investment Committee of the Investment Manager; however, each underlying fund investment has its own set of investment professionals and committees to make investment decisions into underlying portfolio companies, outcomes of which could be positive or negative. The Private Investment Portfolios Investment Committee is comprised of nine senior investment professionals with approximately 257 years of combined professional experience and average over 16 years with the firm. The nine members have a range of diverse backgrounds including as fund managers, CEOs, directors of corporate boards, direct private equity investors, bankers, lawyers and accountants. Post-investment, the Investment Manager's team of investment professionals closely monitor the investment portfolio for events or changes in performance that could justify a change in the valuation of an investment. A description of the Investment Manager's valuation policy for equity and debt investments can be found on page 88 of this report.

Financial Risks

Financial risks are risks that could impact the financing and ongoing operations of the business and include liquidity and credit facility management, meeting the final capital entitlement of the 2017 and 2022 ZDP Shares and foreign exchange risk. The Investment Manager performs analysis on the underlying portfolio by making reasonable exit assumptions on the underlying investments and forecasts the expected future cash flows from investment exits. This analysis helps the Investment Manager make a reasonable projection of the future cash and borrowing needs as well as better manage the pace of new investments in the portfolio. This analysis only provides a reasonable forecast and is relied upon only as such and actual performance could differ materially. To the extent there are any current outstanding borrowings under the credit facility, the Investment Manager closely monitors the financial ratios and covenant headroom available. The Investment Manager has entered into a forward currency contract to hedge the currency risk associated with the 2022 ZDP Shares, the details of which can be found on page 80 of this report.

Operational Risks

Operational risks pertain to the business operations of the Company. The Company's only activities are those of an investment company, and the Company itself does not have any employees. Instead, the Company relies on the investment personnel, infrastructure and resources of the Investment Manager and the Company's Administrator. For example, if the Investment Manager were unable to attract and retain the right investment and business professionals or maintain adequate IT infrastructure, the operations of the Company could be impacted. The Company does not have an internal audit or compliance function and instead relies on these functions within the Investment Manager and the Company's Administrator. Neuberger Berman is a global asset management company and has significant levels of internal controls designed to monitor and maintain compliance. In addition, Neuberger Berman has a significant set of policies and procedures for all employees, including employees of the Company's Investment Manager. Given the scale and resources available at the Investment Manager, the board is comfortable operational risks to the Company are managed effectively.

Risk Report (Continued)

Internal Controls

The directors have developed a set of internal controls designed to manage, not eliminate risk, and therefore can only provide a reasonable assurance against fraud, misstatements or losses to the Company. The internal controls are based on a risk matrix that is provided on a quarterly basis by the Investment Manager to the directors. The risk matrix outlines each of the underlying risks and risk type as well as the key controls and the responsible team for managing the risk. As risks change over time, the risk matrix is updated to effectively identify and control ongoing risks to the Company.

Risk Factors

The Company is subject to, and an investment in the Company's Class A Shares involves, substantial risks, which may adversely impact the Company's financial condition, results of operations and/or the value of the Class A Shares, Class B Shares and 2017 and 2022 ZDP Shares. Investors in the Company's Class A Shares and 2017 and 2022 ZDP Shares should carefully consider such risks, which include, without limitation, those set out below and on the following pages.

The Company may experience fluctuations in its monthly NAV

The Company may experience fluctuations in NAV from month to month due to a number of factors, including changes in the values of investments, which in turn could be due to changes in values of portfolio companies, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in operating expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Company encounters competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the Class A Shares and cause the Company's results for a particular period not to be indicative of the Company's performance in a future period.

On liquidation of the Company's assets on any given day, the reported NAV may not match the liquidated cash value of such assets

Where the Company is required or the Investment Manager deems it necessary to liquidate some or all of the Company's assets on any given day, the liquidated cash value of such assets may not match the reported NAV or portion of the reported NAV (in the case that not all of the Company's assets are liquidated) attributable to such assets. Liquidation of the Company's assets will be subject to a number of factors, including the availability of purchasers for the Company's assets, liquidity and market conditions and, as such, the actual cash value of some or all of the Company's assets may differ from the latest reported NAV (or portion of the reported NAV in the case that not all of the Company's assets are liquidated).

The Class A Shares could continue to trade at a discount to NAV

The Class A Shares could continue to trade at a discount to NAV for a variety of reasons, including, without limitation, due to market conditions or to the extent investors undervalue the portfolio assets and the Investment Manager's ability to manage those assets. Also, since there is generally a period of years before a new private equity fund has completed making its investments, return on the Company's investments in such funds is not likely to be realized for a substantial time period, if at all, which could negatively impact the value of the Class A Shares. Additionally, unlike traditional private equity funds, the Company intends to continuously reinvest the cash received, except in limited circumstances (including in connection with the Company's Dividend Policy and Share Buy Back Programme). Therefore, the only way for investors to realize their investment is to sell their Class A Shares for cash. Accordingly, in the event that a holder of Class A Shares requires immediate liquidity, or otherwise seeks to realize the value of its investment, through a sale of Class A Shares, the amount received by the holder upon such sale may be less than the underlying NAV of the relevant Class A Shares sold.

Risk Report (Continued)

The trading markets that the Class A Shares and ZDP Shares are admitted to are less liquid than certain other major exchanges, which could affect the price of the Company's shares

The principal trading markets are Euronext Amsterdam and the Specialist Fund Segment ("SFS") for the Class A Shares, the SFS and The International Stock Exchange ("TISE") for the 2017 ZDP Shares and the SFS of the Main Market of the London Stock Exchange for the 2022 ZDP Shares. These markets are less liquid than certain other major exchanges in the United States and certain other parts of Europe. Because these markets are less liquid than major exchanges in the United States and certain other parts of Europe, the Company's shareholders may face difficulty when disposing of their Class A Shares, especially in large blocks. To date the Company's Class A Shares have actively traded, but with generally low daily volumes. The Company cannot predict the effects on the price of the Class A Shares if a more liquid trading market for them does not develop. In addition, if such a market does not develop, relatively small sales may have a significant negative impact on the price of the Class A Shares. For example, sales of a significant number of Class A Shares may be difficult to execute at a stable price.

The availability of the Company's credit facility and failure to continue to meet the financial covenants in the credit facility could have an adverse impact on liquidity

The Company's previous credit facility with Lloyd's Banking Group was refinanced with JP Morgan Chase, National Association as announced on 8 June 2016. The availability of the Company's credit facility is dependent on continuing to comply with the covenants of the Company's credit facility. The Company is currently in compliance with all of the covenants of the credit facility. However, certain events, including reductions in the NAV of the investment portfolio, could result in an event of default under the credit facility. Where an event of default occurs, the lender may cancel the undrawn portion of the Company's credit facility and declare the entire outstanding principal and interest immediately due. As a result, the Company may not have access to sufficient capital to meet the obligations (including unfunded commitments) and the Company could be forced to sell assets in order to cure the event of default or to repay the Company's credit facility. Where the Company is obliged to sell assets from the investment portfolio to meet the obligations under the credit facility, such sale may be at an undervalue and may not reflect the estimated unaudited fair value assigned to such asset(s). Further, where the credit facility is unavailable, the Company's ability to make new investments or to honor funding obligations to which the Company is already committed may be severely restricted. The Company may be unable, or it may not be prudent or in the Company's best interests, to enter into further agreements to borrow money or to refinance the credit facility.

The price attributed to the Class A Shares on Euronext Amsterdam and the SFS may vary significantly and the price attributed to the 2017 and 2022 ZDP Shares on the SFS and TISE may vary significantly

The Class A Shares are admitted to trading on Euronext Amsterdam and the SFS, the 2017 ZDP Shares are admitted to trading on the SFS and the TISE, and the 2022 ZDP Shares are admitted to trading on the SFS. The price attributed to the Class A Shares or 2017 or 2022 ZDP Shares, as the case may be, may vary significantly on one exchange versus the other. As such, no guarantee is given that investors will receive best pricing and execution on one market over another. The Investment Manager and the Company accept no responsibility whatsoever with regards to the pricing of the Class A Shares and execution of trades therein on Euronext Amsterdam and the SFS, the pricing of the 2017 or 2022 ZDP Shares and execution of trades therein on the SFS and the TISE, nor do the Investment Manager or the Company accept any responsibility for any pricing and/or execution variation between any of these exchanges. Investors are responsible for informing themselves as to the best pricing and execution available, in the case of the Class A Shares, on both Euronext Amsterdam and the SFS, and, in the case of the 2017 ZDP Shares, on both the SFS and the TISE, and in the case of the 2022 ZDP Shares, the SFS.

Risk Report (Continued)

The holders of the 2017 or 2022 ZDP Shares may not receive the final capital entitlement

The holders of 2017 or 2022 ZDP Shares may not receive the final capital entitlement and no guarantee is made by the Company in relation to the payment thereof. The 2017 ZDP Shares, whilst ranking prior to the Class A Shares and the Class B Shares in respect of the repayment of up to 169.73 pence per ZDP Share from the assets of the investment portfolio, rank behind any borrowings of the Company that remain outstanding. The 2022 ZDP Shares have a maturity date of 30 September 2022 and a final capital entitlement of 126.74 pence; however, there is no guarantee this repayment will be met. In addition, upon the occurrence of significant loss in value of the assets held in the investment portfolio, the Company may be unable to pay the final capital entitlement or any part thereof to the holders of 2017 or 2022 ZDP Shares.

Payment of the final capital entitlement to the holders of 2017 or 2022 ZDP Shares may be dilutive to the NAV per Class A Share

Payment of the final capital entitlement to the holders of the 2017 or 2022 ZDP Shares may be dilutive to the NAV per Class A Share. Where the Company does not generate investment returns in excess of the gross redemption yield of 7.30% (in relation to which, no guarantee has been given) per annum (based on the issue price of the 2017 ZDP Shares) and the gross redemption yield of 4.00% (in relation to which, no guarantee has been given) per annum (based on the issue price of the 2022 ZDP Shares), the NAV per Class A Share may be significantly diluted.

The Company may not be able to meet mandatory amortisation provisions under its existing credit facility at maturity or existing 2017 or 2022 ZDP Shares

The Company currently has an existing credit facility with JP Morgan Chase Bank, National Association which matures in June 2021 and which has certain mandatory amortisation on any amounts drawn under the facility beginning in June 2020. If the Company did not have sufficient cash available, then the Company could be forced to sell assets at a discount to the most recent investment value, and as result, the NAV per Class A Share could suffer. Likewise, the Company has existing 2017 ZDP Shares which mature in May 2017 and 2022 ZDP Shares which mature in September 2022. If the Company did not have sufficient cash available to settle this liability when it comes due, the Company may be required to raise cash through asset sales or other means.

AUDIT COMMITTEE CHAIRMAN'S LETTER

Dear Shareholder,

During 2016, the Audit Committee held three scheduled meetings and one ad-hoc meeting to discuss several key issues for the Company including terms of engagement with the Company's auditors, auditor effectiveness and independence, the financial statements and reporting matters. The Audit Committee and I were actively engaged in the selection of the reporting accountants and worked with them, alongside our other professional advisors, in relation to the successful issuance of the Company's 2022 ZDP Shares in September 2016. In addition, during the 2016 year end audit, the Audit Committee and I were active in reviewing and discussing the year end audit process and procedures with the Manager and the Company's external auditors. As Chairman, I was satisfied with the level of work performed with respect to the year end audit. I am pleased to present this section, the Audit Committee Report, which provides further details around the year end audit as well as other issues impacting the Audit Committee during the year, and how those issues were resolved by the Audit Committee.

John Falla
Audit Committee Chairman
Guernsey, 27 March 2017

AUDIT COMMITTEE REPORT

The function of the Audit Committee is to provide oversight and reassurances to the board, specifically with regard to the integrity of the Company's financial reporting, audit arrangements, risk management and internal control processes and governance framework.

Audit Committee Responsibilities

The responsibilities of the Audit Committee are:

- reviewing the Company's financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the board on the appropriateness of the Company's accounting policies and practices including critical accounting policies and practices;
- advising the board on whether the Committee believes the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- overseeing the relationship with the external auditor;
- considering the financial and other implications on the independence of the auditors arising from any non-audit services to be provided by the auditor;
- to analyse the key procedures adopted by the Company's service providers;
- considering the nature and extent of the significant risks the Company faces in achieving its strategic objectives; and
- compile and report on its activities to be included in the Company's annual report.

In addition to these responsibilities, the Audit Committee ensures that a framework for strong corporate governance and best practice is in place, which is believed to be suitable for an investment company and which enables the Company to comply with the main requirements of the Netherlands Authority for the Financial Markets, the Specialist Fund Segment of the Main Market of the London Stock Exchange and any other applicable law or regulation.

AUDIT COMMITTEE REPORT

Committee meetings

The Committee meets at least three times a year. Only members and the secretary of the Audit Committee have the right to attend Audit Committee meetings. However, other directors and representatives of the Investment Manager and the Administrator will be invited to attend Audit Committee meetings on a regular basis and other non-members may be invited to attend all or part of the meeting as and when appropriate and necessary. The Company's external auditor, KPMG Channel Islands Limited ("KPMG"), is also invited on a regular basis. The Audit Committee determine in conjunction with KPMG, whether it is necessary for the Audit Committee to meet with KPMG without the Investment Manager being present.

Main activities during the year

The Committee assists the board in carrying out its responsibilities in relation to the financial reporting requirements, risk identification and management and the assessment of internal controls. It also manages the Company's relationship with the external auditor. Meetings of the Audit Committee generally take place prior to the Company board meeting. The Audit Committee reports to the board as part of a separate agenda item, on the activities of the Audit Committee and matters of particular relevance to the board in the conduct of their work.

The primary role of the Audit Committee in relation the financial reporting is to review with the Investment Manager, Capital Analytics and external auditor the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial governance reporting requirements;
- material areas in which significant judgement have been applied or there has been discussion with the external auditor;
- whether the annual report and accounts, take as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

To aid its review, the Audit Committee considers reports from the Investment Manager, Capital Analytics, the Company secretary and also reports from the external auditor on the outcomes of their half-year review and annual audit.

The following paragraphs in this report describe the key issues affecting the Company and how these were addressed by the Audit Committee during 2016, and in the preparation of this annual report and consolidated financial statements.

Financial Statements and Reporting Matters

After discussion with both the Investment Manager and the external auditor, the Audit Committee determined that the key risk of material misstatement of the financial statements related to the valuation of investments as detailed below. With a majority of the portfolio held in direct income and equity investments, the valuation methodologies and assumptions used to value these investments were discussed in detail.

In terms of equity investments, the Audit Committee noted the Manager's valuation methodology which begins with the most recently available financial information obtained from the underlying companies or sponsors. Using this information, the Manager builds valuation models and evaluates a companies enterprise value in relationship to chosen valuation multiples, financial performance and public and private comparables. Further, it was noted that this process had remained unchanged from prior years. To evaluate the valuation of investments, the auditors reviewed the Manager's direct investment valuation models and assumptions as well as the strength of information obtained to support the valuation and reported to the Audit Committee that they were satisfied with both the quality of financial information and underlying assumptions used.

In terms of income investments, it was noted by the Manager that the overall level income investments had decreased in the portfolio as a result of strong realisation activity during the year, but nevertheless, these investments still represented a meaningful portion of the portfolio. The Audit Committee received an update from the Company's auditors which noted that the two principal risks in relation to these assets were market risk and credit risk and the auditors explained they had designed procedures to cover both types of risk. The auditors explained that market risk was related to yield and this was compared to other observable yields in the market and that this approach and methodology applied by the Manager was reasonable and appropriate. Turning to credit risk, the auditors explained the Manager prepared similar valuation models to analyse the enterprise and equity values to ensure there was sufficient enterprise value to support all of the debt of a company and that the company was creditworthy. The auditors noted they had utilised their in-house valuation experts to assist with the audit of valuations and used a number of techniques to evaluate the valuation of investments.

In order to evaluate fund investments, the auditors reviewed fund investments' balance sheet, income statement and changes from prior periods and hindsight analysis work of valuations. The auditors noted that, in relation to fund investments, there had been no significant changes or gaps in processes and that the work remained largely consistent with prior years. The auditors did not report any significant differences between the valuations used by the Company and the work performed during their testing process. Based on their above review and analysis the Audit Committee confirmed that they are satisfied with the valuation of investments.

Following several questions to the Manager and the auditors and ensuing discussions, the Audit Committee was satisfied with the overall level of work performed in relation to the year end audit.

The Audit Committee reviewed both the annual financial report and the consolidated financial statements, including the viability statement, and the principal risks identified and the workings supporting the viability statement. Based on their review and information received from the Investment Manager, the Audit Committee advised the board that it was satisfied that the annual financial report and the consolidated financial statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy.

Internal control and risk assessment
The Committee receives reports from the Investment Manager on the Company's risk evaluation process and reviews changes to significant risks identified. The board has undertaken a full review of the Company's business risks, which have been analysed and recorded in a risk report, which is reviewed and updated regularly and is formally reviewed at each quarterly board meeting. The board receives, each quarter from the Investment Manager, a formal report which details the steps taken to monitor the areas of risk including those that are not directly the responsibility of the Investment Manager and which reports the details of any known internal control failures. The Investment Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Investment Manager's compliance and risk department on an ongoing basis.

By means of the procedures set out above, the Committee confirms that it has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 December 2016 and to the date of approval of this annual financial report and that no issues have been noted.

Internal Audit
The Company itself does not have an internal audit function, but instead relies on the internal audit functions and departments of the Investment Manager. The Audit Committee was satisfied that this function provides sufficient control to help mitigate risks to the Company.

External Audit
The Company's external auditors, KPMG Channel Islands Limited, have been appointed to the Company since 2009, which was the time of the last audit tender. The Company's external auditors performed an audit on the Company's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Prior to beginning the audit, the Audit Committee received a report from the external auditors and reviewed the scope of the audit, identified significant audit risk and areas of audit focus as well as the terms of the audit work.

Terms of Engagement
The Audit Committee reviewed the audit scope and fee proposal through engagement letters and Audit Committee reports issued by the external auditors to the directors. The Committee approved the fees for audit services for 2016 after a review of the level and nature of work to be performed. The board was satisfied that the fees were appropriate for the scope of the work required.

The external auditors were remunerated $210,000 in relation to the 2016 annual audit. They received fees of $23,000 in relation to their review of the interim financial statements and $127,943 for their work as reporting accountant in relation to the issuance of new 2022 ZDP shares.

Auditor Effectiveness
The Audit Committee received a detailed audit plan from the auditors, identifying their assessment of these key risks. For the 2016 financial year the significant risk identified was in relation to valuation of investments. This risk is tracked through the year and the Audit Committee challenged the work done by the auditors to test management's assumptions and estimates around these areas. The Committee assess the effectiveness of the audit process in addressing these matters through the reporting received from the auditors at both the half-year and year end. In addition, the Audit Committee seeks feedback from the Investment Manager and Capital Analytics on the effectiveness of the audit process. For the 2016 financial year, the Audit Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good.

AUDIT COMMITTEE REPORT

Auditor Independence and Appointment

The Audit Committee understands the importance of auditor independence and during 2016, the Audit Committee reviewed the independence and objectivity of the Company's external auditor, KPMG Channel Islands Limited and also of KPMG, LLP in Dallas, Texas. The Audit Committee received a report from the external auditor describing its independence, controls and current practices to safeguard and maintain auditor independence.

The Audit Committee also focused on the level of non-audit services that were performed during the year. Non-audit services performed during 2016 consisted of the review of the interim financial statements and work related to the issuance of new 2022 ZDP Shares in September 2016 in their role as reporting accountants. The auditors noted that they did not perform any work with respect to the preparation of financial statements or valuations, the taking of management decisions, or the provision of investment advice.

Any additional non-audit services requires the consent of the Audit Committee. There was no other non-audit work performed by the external auditors during the year other than those services described above. The Audit Committee was satisfied that the level of non-audit services did not conflict with their statutory audit responsibilities.

The Audit Committee follows Financial Reporting Council ("FRC") guidance which provides for an audit tendering to be carried out every ten years. The Company's external auditors, KPMG Channel Islands Limited, have been appointed to the Company since 2009, which was the time of the last audit tender. The board (in accordance with the recommendation of the Audit Committee) resolved that it would be preferable and more efficient to consider the audit tendering process at a future date but still in accordance with FRC guidance.

The Company's auditors have indicated their willingness to remain in office. The directors will propose a resolution at the Annual General Meeting to recommend the re-appointment of KPMG Channel Islands Limited as independent auditors for the ensuing year and to authorize the directors to determine their remuneration.

DIRECTORS' BIOGRAPHIES

Talmai Morgan (Chairman, Independent Director) / 22 June 2007

Talmai Morgan (aged 64), a resident of Guernsey, qualified as a barrister in 1976. He holds an MA in Economics and Law from Cambridge University. He moved to Guernsey in 1988 where he worked for Barings and then for the Bank of Bermuda. From 1999 to 2004, he was Director of Fiduciary Services and Enforcement at the Guernsey Financial Services Commission (Guernsey's financial regulatory agency) where he was responsible for the design and subsequent implementation of Guernsey's law relating to the regulation of fiduciaries, administration businesses and company directors. He was also particularly involved in the activities of the Financial Action Task Force and the Offshore Group of Banking Supervisors.

For the last ten years, Mr. Morgan has been the non-executive chairman or a non-executive director of a number of publicly listed investment companies. He is presently Chairman of NB Private Equity Partners Limited, Sherborne Investors (Guernsey) B Limited and Global Fixed Income Realisation Limited. He also sits on the board of BH Global Limited and John Laing Infrastructure Fund Limited.

John Buser (Director) / 22 June 2007

John P. Buser (aged 59) is a Managing Director of Neuberger Berman and Global Head of the Private Investment Portfolios practice for Neuberger Berman. He is also a member of the Private Investment Portfolios, Co-Investment, Northbound and Secondary Investment Committees. Before joining Neuberger Berman in 1999, Mr. Buser was a partner at the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P., where he had extensive experience in the practice of domestic and international income taxation during his 17 year tenure. Mr. Buser was admitted to the State Bar of Texas in 1982 after receiving his J.D. from Harvard Law School. Prior to attending law school, Mr. Buser graduated summa cum laude with a B.S. in accounting from Kansas State University.

John Buser has no other public company directorships.

John Falla (Chairman of the Audit Committee, Independent Director) / 21 December 2015

John Falla (aged 55) and a resident of Guernsey, is an Associate of the Institute of Chartered Accountants in England and Wales. He has a degree in Property Valuation and Management from the City University London, and is a Chartered Fellow of the Chartered Institute for Securities and Investment holding their diploma. He qualified as a Chartered Accountant with Ernst and Young in London, before transferring to their Corporate Finance Department. On his return to Guernsey in 1996 he worked for an International Bank before joining the Channel Islands Stock Exchange in 1998 on its launch as a member of the Market Authority. In 2000 he joined the Edmond de Rothschild Group. Although based in Guernsey he provided corporate finance advice to international clients including open and closed-ended funds, and institutions with significant property interests. He was also a director of a number of Edmond de Rothschild operating and investment entities. He has been a non-executive director of London listed companies for a number of years, and is now a full time non-executive director and consultant.

Other public company directorships:

- SQN Asset Finance Income Fund Limited
- Hadrian's Wall Secured Investments Limited

Note: Certain of the directors maintain additional directorships some of which are also listed but not actively traded on various exchanges. Details may be obtained from the Company Secretary.

DIRECTORS' BIOGRAPHIES

Christopher Sherwell (Independent Director) / 22 June 2007

Christopher Sherwell (aged 69) is a Guernsey resident and former managing director of Schroders in the Channel Islands. Before joining Schroders in 1993, he was a Far East Regional strategist in London and Hong Kong for Smith New Court Securities and, prior to that, spent 15 years as a journalist, much of them as foreign correspondent for the Financial Times. His public company experience stretches back 13 years, and apart from NBPE he currently acts as a non-executive director on the following publicly-listed funds:

- NB Distressed Debt Investment Fund Limited
- Raven Russia Limited
- Baker Steel Resources Trust Limited

Peter von Lehe (Director) / 22 June 2007

Peter von Lehe (aged 48) is a Managing Director of Neuberger Berman, Head of Private Equity Investment Solutions and a leader of the Firm's Private Investment Portfolios practice. He is also a member of the Private Investment Portfolios, Co-Investment and Athyrium Investment Committees. Mr. von Lehe sits on the Limited Partner Advisory Boards of a number of investment relationships globally on behalf of Neuberger Berman funds. Previously, Mr. von Lehe was a Managing Director and Deputy Head of the Private Equity Fund of Funds unit of Swiss Reinsurance Company. At Swiss Re, Mr. von Lehe was responsible for investment analysis and product structuring and worked in both New York and Zurich. Before that, he was an attorney with the law firm of Willkie Farr & Gallagher LLP in New York focusing on corporate finance and private equity transactions. He began his career as a financial analyst for a utility company, where he was responsible for econometric modelling. Mr. von Lehe received a B.S. with Honors in Economics from the University of Iowa and a J.D. with High Distinction, from the University of Iowa College of Law. He is a member of the New York Bar.

Peter Von Lehe has no other public company directorships.

Note: Certain of the directors maintain additional directorships some of which are also listed but not actively traded on various exchanges. Details may be obtained from the Company Secretary.

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NB PRIVATE EQUITY PARTNERS LIMITED

We have audited the consolidated financial statements (the "financial statements") of NB Private Equity Partners Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2016 which comprise the consolidated balance sheet, consolidated condensed schedule of private equity investments, consolidated statement of operations and changes in net assets, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and U.S. generally accepted accounting principles.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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 auditor

As explained more fully in the Statement of Directors' Responsibility set out on page 36 and 37, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NB PRIVATE EQUITY PARTNERS LIMITED (CONT.)

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its results for the year then ended;
- are in conformity with U.S. generally accepted accounting principles; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Dermot A. Dempsey.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors, Guernsey

27 March 2017

CONSOLIDATED BALANCE SHEETS 31 DECEMBER 2016 AND 2015

Assets	**2016**	**2015**
Private equity investments		
Cost of $617,340,299 at 31 December 2016 and $716,882,829 at 31 December 2015	$ 767,312,829	$ 813,597,495
Cash and cash equivalents	93,662,028	26,118,461
Distributions and sales proceeds receivable from investments	7,590,641	2,085,717
Other assets	3,851,617	1,270,275
Total assets	**$ 872,417,115**	**$ 843,071,948**
Liabilities		
Liabilities:		
ZDP Share liability	$ 76,894,552	$ 74,739,963
Carried interest payable	7,866,561	-
Accrued expenses and other liabilities	6,094,211	7,155,182
Payables to Investment Manager and affiliates	2,998,767	2,949,475
Net deferred tax liability	1,026,106	4,612,591
Credit facility loans	-	52,500,000
Total liabilities	**$ 94,880,197**	**$ 141,957,211**
Net assets		
Class A Shares, $0.01 par value, 500,000,000 shares authorized, 51,940,972 shares issued, and 48,790,564 shares outstanding	$ 519,410	$ 519,410
Class B Shares, $0.01 par value, 100,000 shares authorized, 10,000 shares issued and outstanding	100	100
Additional paid-in capital	525,157,490	525,157,490
Retained earnings	260,212,429	183,898,937
Less cost of treasury stock purchased (3,150,408 shares)	(9,248,460)	(9,248,460)
Total net assets of the controlling interest	**776,640,969**	**700,327,477**
Net assets of the non-controlling interest	895,949	787,260
Total net assets	**$ 777,536,918**	**$ 701,114,737**
Total liabilities and net assets	**$ 872,417,115**	**$ 843,071,948**
Net asset value per share for Class A Shares and Class B Shares	**$ 15.91**	**$ 14.35**
Net asset value per 2017 ZDP Share (Pence)	**164.85**	**153.60**
Net asset value per 2022 ZDP Share (Pence)	**101.17**	**N/A**

The financial statements were approved by the board of directors on 27 March 2017 and signed on its behalf by

Talmai Morgan **John Falla**

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

CONSOLIDATED CONDENSED SCHEDULES OF PRIVATE EQUITY INVESTMENTS
31 DECEMBER 2016 AND 2015

Private equity investments		Cost		Fair Value		Unfunded Commitment		Private Equity [3] Exposure
2016								
Fund investments	$	134,043,729	$	153,398,249	$	39,133,787	$	192,532,036
Direct equity investments [1]		334,882,546		474,945,666		177,744,014		652,689,680
Income investments[2]		148,414,024		138,968,914		44,020,612		182,989,526
	$	**617,340,299**	**$**	**767,312,829**	**$**	**260,898,413**	**$**	**1,028,211,242**
2015								
Fund investments	$	161,055,398	$	180,105,490	$	39,525,428	$	219,630,918
Direct equity investments [1]		261,534,958		350,523,559		218,276,857		568,800,416
Income investments[2]		294,292,473		282,968,446		5,648,982		288,617,428
	$	**716,882,829**	**$**	**813,597,495**	**$**	**263,451,267**	**$**	**1,077,048,762**

Private equity investments in excess of 5% of net asset value		Fair Value
2016		
NB Crossroads Fund XVIII		
Large-cap buyout	$	4,148,897
Mid-cap buyout		13,090,621
Special situations		3,798,134
Venture		6,550,536
	$	27,588,188
2015		
NB Crossroads Fund XVIII		
Large-cap buyout	$	6,956,365
Mid-cap buyout		17,026,613
Special situations		3,879,347
Venture		8,426,302
	$	36,288,627

(1) Including investments made through NB Alternatives Direct Co-investment Programs and Marquee Brands.

(2) Including investments made through NB Healthcare Credit Investment Program and NB Credit Opportunities Program.

(3) Private equity exposure is the sum of fair value and unfunded commitment.

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

CONSOLIDATED CONDENSED SCHEDULES OF PRIVATE EQUITY INVESTMENTS (CONTINUED)
31 DECEMBER 2016 AND 2015

Geographic diversity of private equity investments [1]		Fair Value 2016		Fair Value 2015
North America	$	654,741,427	$	724,922,947
Europe		59,618,675		46,414,178
Asia / rest of world		47,606,257		36,765,403
Not classified		5,346,470		5,494,967
	$	**767,312,829**	**$**	**813,597,495**

Industry diversity of private equity investments [2]	Fair Value 2016	Fair Value 2015
Technology / IT	17.5%	21.9%
Healthcare	14.5%	16.0%
Industrials	12.1%	11.5%
Consumer discretionary	14.0%	15.1%
Financial services	12.3%	11.1%
Business services	10.5%	9.8%
Energy	8.7%	6.3%
Communications / media	3.4%	3.6%
Diversified / undisclosed / other	4.2%	3.4%
Transportation	2.8%	1.3%
	100.0%	**100.0%**

Asset class diversification of private equity investments [3]	Fair Value 2016	Fair Value 2015
Large-cap buyout	1.6%	1.9%
Large-cap buyout co-Invest	14.7%	14.2%
Mid-cap buyout	5.9%	7.0%
Mid-cap buyout co-Invest	35.9%	21.3%
Special situation	6.8%	6.5%
Special situation co-Invest	7.0%	4.4%
Income investments	17.3%	34.8%
Growth/venture	10.2%	9.1%
Secondary purchases	0.6%	0.8%
	100.0%	**100.0%**

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

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

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

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

		2016		2015
Interest and dividend income	$	31,016,956	$	35,386,069
Expenses				
Investment management and services		11,446,805		11,847,536
Carried interest		7,866,561		-
Finance costs				
Credit facility		3,874,978		4,202,654
ZDP Shares		1,776,197		5,543,361
Administration and professional		2,663,661		3,032,661
		27,628,202		24,626,212
Net investment income (loss)	**$**	**3,388,754**	**$**	**10,759,857**
Realized and unrealized gains (losses)				
Net realized gain (loss) on investments and forward foreign exchange contracts, net of tax expense of $1,749,401 for 2016 and $2,710,748 for 2015	$	28,629,876	$	73,457,472
Net change in unrealized gain (loss) on investments and forward foreign exchange contracts, net of tax (benefit) expense of $(3,586,485) for 2016 and $288,408 for 2015		68,803,833		(55,244,659)
Net realized and unrealized gain (loss)		97,433,709		18,212,813
Net increase (decrease) in net assets resulting from operations	$	100,822,463	$	28,972,670
Less net increase (decrease) in net assets resulting from operations attributable to the non-controlling interest		108,689		28,973
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	**$**	**100,713,774**	**$**	**28,943,697**
Net assets at beginning of period attributable to the controlling interest		700,327,477		694,808,051
Less dividend payment		(24,400,282)		(23,424,271)
Net assets at end of period attributable to the controlling interest	**$**	**776,640,969**	**$**	**700,327,477**
Earnings (loss) per share for Class A Shares and Class B Shares of the controlling interest	***$***	***2.06***	***$***	***0.59***

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$ 100,713,774	$ 28,943,697
Net increase (decrease) in net assets resulting from operations attributable to the non-controlling interest	108,689	28,973
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized (gain) loss on investments	(28,629,876)	(73,457,472)
Net change in unrealized (gain) loss on investments	(68,803,833)	55,244,659
In-kind payment of interest income	(68,397)	(314,775)
Amortization of finance costs	(2,581,341)	769,078
Amortization of purchase premium (OID), net	5,512,448	(2,126,934)
Change in other assets	(4,349,099)	99,529
Change in payables to Investment Manager and affiliates	7,915,853	(6,779,584)
Change in accrued expenses and other liabilities	2,370,151	5,273,306
Net cash provided by (used in) operating activities	12,188,369	7,680,477
Cash flows from investing activities:		
Distributions from private equity investments	118,557,656	130,379,294
Proceeds from sale of private equity investments	174,061,119	149,132,997
Contributions to private equity investments	(2,517,315)	(10,906,987)
Purchases of private equity investments	(157,487,245)	(214,826,979)
Net cash provided by (used in) investing activities	132,614,215	53,778,325
Cash flows from financing activities:		
Dividend payment	(24,400,282)	(23,424,271)
Proceeds from Issuance of Zero Dividend Preference Shares	9,411,265	-
Borrowings from credit facilities	100,000,000	90,000,020
Payments to credit facility	(152,500,000)	(127,500,000)
Settlement of the forward foreign exchange contract and ongoing hedging activity	(9,770,000)	-
Net cash provided by (used in) financing activities	(77,259,017)	(60,924,251)
Net increase (decrease) in cash and cash equivalents	**67,543,567**	**534,551**
Cash and cash equivalents at beginning of period	26,118,461	25,583,910
Cash and cash equivalents at end of period	**$ 93,662,028**	**$ 26,118,461**
Supplemental cash flow information		
Interest paid	**$ 1,700,185**	**$ 2,663,141**
Net taxes paid	**$ 2,553,126**	**$ 2,611,639**

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

Note 1 – Organization

NB Private Equity Partners Limited (the "Company") and its subsidiaries, collectively (the "Group") is a closed-ended investment company registered in Guernsey. The registered office is Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY. The Group invests in private equity assets, which consist of direct equity investments, income investments, and private equity fund investments. Income investments include corporate private debt investments and healthcare credit investments, which consist of loans to companies in the healthcare sector and royalty backed notes. From time to time, the Group may also make other opportunistic investments, as appropriate. The Company's Class A Shares are listed and admitted to trading on the regulated market of Euronext Amsterdam N.V. and on the Specialist Fund Segment (formerly the Specialist Fund Market) of the London Stock Exchange plc under the symbol "NBPE". NBPE's Zero Dividend Preference ("ZDP") Shares (see note 6) are listed and admitted to trading on the Daily Official List of The International Securities Exchange and the Specialist Fund Segment of the Main Market of the London Stock Exchange under the symbol "NBPZ".

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

The Group is managed by NB Alternatives Advisers LLC ("Investment Manager") pursuant to an Investment Management and Services Agreement. The Investment Manager is a subsidiary of Neuberger Berman Group LLC ("NBG").

Note 2 – Summary of Significant Accounting Policies and Risks

Basis of Presentation

These consolidated financial statements (the "consolidated financial statements") give a true and fair view of the financial position, profit or loss and cash flows and are prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), as allowed by rules published in the United Kingdom and Netherlands to effect implementation of the EU Transparency Directive (Directive 2004/109/EC), as amended by Directive 2013/50/EU, and are in compliance with the Companies (Guernsey) Law, 2008. These consolidated financial statements are presented in United States dollars. Having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The Group qualifies, for U.S. GAAP purposes, as an investment company. Accordingly, the Group reflects its investments on the Consolidated Balance Sheets at their estimated fair values, with unrealized gains and losses resulting from changes in fair value reflected in net change in unrealized gain (loss) on investments in the Consolidated Statements of Operations and Changes in Net Assets. The Group does not consolidate majority-owned or controlled portfolio companies. The Group does not provide any financial support to any of its investments beyond the investment amount to which it committed.

Principles of Consolidation

The consolidated financial statements include accounts of the Group consolidated with the accounts of all its subsidiaries in which it holds a controlling financial interest as of the financial statement date. All material inter-group balances have been eliminated.

Market Risk

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

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

Credit Risk

Credit risk is the risk of losses due to the failure of a counterparty to perform according to the terms of a contract. The Group may invest in a range of debt securities directly or in funds which do so. Until such investments are sold or are paid in full at maturity, the Group is exposed to credit risk relating to whether the issuer will meet its obligations when the securities come due. Distressed debt securities by nature are securities in companies which are in default or are heading into default and will expose the Group to a higher than normal amount of credit risk.

The cash and other liquid securities held can subject the Group to a concentration of credit risk. The Investment Manager attempts to mitigate the credit risk that exists with cash deposits and other liquid securities by regularly monitoring the credit ratings of such financial institutions and evaluating from time to time whether to hold some of the Group's cash and cash equivalents in U.S. Treasuries or other highly liquid securities.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Investment Manager mitigates this risk by monitoring the sufficiency of cash balances and availability under the Credit Facility to meet expected liquidity requirements for investment funding and operating expenses.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents are valued at cost, which approximates fair value. These balances represent amounts held with financial institutions that are readily accessible to pay expenses or fund investments. These balances may include investments in money market mutual funds. As of 31 December 2016 and 2015, $93,662,028 and $26,118,461 respectively, are primarily held with JPMorgan Chase.

Valuation of Investments

The Group carries private equity investments on its books at fair value in accordance with U.S. GAAP. The Directors, in consultation with the Investment Manager use the best information reasonably available to determine or estimate fair value. Valuations of the investments are reviewed and approved quarterly by the Investment Manager. Fair value is estimated for private interests based on a methodology that begins with the most recent information available from the general partner of the underlying fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other information judged to be reliable that reports or indicates valuation changes, including realizations and other portfolio company events. If the Investment Manager concludes that it is probable an investment will be sold, the Investment Manager adjusts the carrying value to the amount expected from the sale, exclusive of transaction costs. The Group values private equity fund investments at the net asset value of the private equity fund investment (see note 4).

Publicly traded securities are valued based on quoted prices as of the last day of the relevant period less discounts to reflect legal restrictions associated with the securities, if any, that affect marketability. The Investment Manager determines such values for publicly traded securities held directly as well as known public positions held in the underlying private equity investments on a look-through basis.

For income investments, the Investment Manager estimates the enterprise value of each portfolio company and compares such amount to the total amount of the group's debt as well as the level of debt senior to the Group's interest. Estimates of enterprise value are based on the specific measure (such as EBITDA, free cash flow, net income, book value or NAV) believed to be most relevant for the given company and the Investment Manager compares this metric in relation to comparable company valuations (market trading and transactions) based on the same metric. In determining the enterprise value, the Investment Manager further considers the companies' acquisition price, credit metrics, historical and projected operational and financial performance, liquidity as well as industry trends, general economic conditions, scale and competitive advantages along with other factors deemed relevant. Valuation adjustments are made if estimated enterprise value does not support the value of the debt security the Group is invested in and securities senior to the Group's position.

If the principal repayment of debt and any accrued interest is supported by the enterprise value analysis described above, the Investment Manager next considers current market conditions including pricing quotations for the same security and yields for similar investments. To the extent market quotations for the security are available, the Investment Manager takes into account current pricing and liquidity. Liquidity may be estimated by the spread between bid and offer prices and other available measures of market liquidity, including number and size of recent trades and liquidity scores. If the Investment Manager believes market yields for similar investments have changed substantially since the pricing of the security held by the Group, the Investment Manager performs a discounted cash flow analysis, based on the expected future cash flows of the debt securities and current market rates. The Investment Manager also considers the maturity of the investment, compliance with covenants and ability to pay cash interest when estimating the fair value of the Group's debt investment.

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

Financial Instruments

The Group determines the fair value of its financial instruments and includes this additional information in the notes to the consolidated financial statements when the fair value is different than the carrying value of those financial instruments. At 31 December 2016 and 31 December 2015, the fair values of the Group's financial instruments reasonably approximate the carrying values and no additional disclosure is necessary.

Investment Income

The Group earns interest and dividends from direct investments and from cash and cash equivalents. The Group records dividends on the ex-dividend date and interest when earned, provided the Investment Manager knows the information or is able to reliably estimate it. Otherwise, the Group records the investment income when it is reported by the private equity investments. Discounts received or premiums paid in connection with the acquisition of loans are amortized into interest income using the effective interest method over the contractual life of the related loan. Payment-in-kind (“PIK”) interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by obligator on the scheduled interest payment date. PIK interest is added to the principal balance of the loan and recorded as interest income. Prepayment premiums include fee income from securities settled prior to maturity date, and are recorded as interest income in the Consolidated Statements of Operations and Changes in Net Assets.

Operating Expenses

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

Realized Gains and Losses on Investments

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

Net Change in Unrealized Gains and Losses of Investments

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

Carried Interest

Carried interest amounts due to the Special Limited Partner (see note 3) are computed and accrued at each period end based on period-to-date results in accordance with the terms of "The Investment Manager and the Investment Management and Services Agreement—Carried Interest" agreement.

Currency Translation

Investments denominated in a currency other than U.S. dollars are translated into U.S. dollar equivalents using spot rates as of the valuation date. The Group does not separate the changes relating to currency exchange rates from those relating to changes in the fair value of the investments held. These fluctuations are combined and included in the net change in unrealized gain (loss) on investments in the Consolidated Statements of Operations and Changes in Net Assets. For the years ended 31 December 2016 and 2015, the effect of translation to U.S. dollars decreased valuations of foreign investments by approximately $123,190 and $708,303 respectively.

The Group has unfunded commitments denominated in currencies other than U.S. dollars. At 31 December 2016, the unfunded commitments that are in Euro and Canadian dollars amounted to €2,088,641 and CAD 297,113. At 31 December 2015, the unfunded commitments that are in Euro and Canadian dollars amounted to €2,731,950 and CAD 1,250,000. They have been included in the Consolidated Condensed Schedules of Private Equity Investments at the U.S. dollar exchange rate in effect at 31 December 2016 and 2015. The effect on the unfunded commitment of the change in the exchange rate between Euro and U.S. dollars and CAD and U.S. dollars was a decrease in the U.S. dollar obligation of $4,134 and $579,051 for 31 December 2016 and 2015 respectively.

Income Taxes

The Company is registered in Guernsey as an exempt company. The States of Guernsey Income Tax Authority has granted the Group an exemption from Guernsey income tax under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and the Group has been charged an annual exemption fee of £1,200 (2015: £1,200).

Generally, income that the Group derives from the investments may be subject to taxes imposed by the U.S. or other countries and will impact the Group's effective tax rate.

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

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

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

Deferred taxes are recorded to reflect the tax benefit and consequences of future years' differences between the tax basis of assets and liabilities and their financial reporting basis. The Group records a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management subsequently adjusts the valuation allowance as the expected realizability of the deferred tax assets change such that the valuation allowance is sufficient to cover the portion of the asset that will not be realized. The Group records the tax associated with any transactions with U.S. or other tax consequences when the Group recognizes the related income.

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

Forward Foreign Exchange Contracts

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

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

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-07 ("ASU 2015-07"), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), modifying Accounting Standards Codification 946 Financial Services – Investment Companies. Under the modifications, investments in affiliated and private investment funds valued at net asset value ("NAV") are no longer included in the fair value hierarchy. The Group has adopted ASU No. 2015-07 in the consolidated financial statements.

Note 3 – Agreements, including related party transactions

Management and Administration

The Group pays the Investment Manager a management fee calculated at the end of each calendar quarter equal to 37.5 basis points (150 basis points per annum) of the net asset value of the private equity and opportunistic investments. For purposes of this computation, the net asset value is reduced by the net asset value of any investment for which the Investment Manager is separately compensated as investment manager. For the years ended 31 December 2016 and 2015, the management fee expenses were $10,665,808 and $11,016,003 respectively.

The Group also pays the Investment Manager for certain accounting and administrative services at the rate of 2.5 basis points per quarter (10 basis points per annum) applied to the net asset value of the private equity and opportunistic investments at the end of each calendar quarter, computed as described above. During the period of January 1, 2016 through April 30, 2016, Group incurred $200,182 for these services. After April 30, 2016 accounting and administrative service were provided and the fees were paid, to an independent third party. The amounts incurred by the Group for the years ended 31 December 2016 and 2015 for these services were $780,613 and $831,533 respectively.

The Group pays to Heritage International Fund Managers Limited ("Heritage"), an affiliate of the Trustee, a fee for providing certain administrative functions relating to certain corporate services and Guernsey regulatory matters affecting the Group. Fees for these services are paid as invoiced by Heritage. The Group paid Heritage $269,045 and $183,822 for the years ended 31 December 2016 and 2015 respectively, for such services.

For the years ended 31 December 2016 and 2015, the Group paid the independent directors a total of $217,500 and $180,489 respectively.

Expenses related to the Investment Manager are included in Investment management and services in the Consolidated Statements of Operations and Changes in Net Assets. Administration and professional expenses include fees for directors, audit and tax, trustee, legal, listing, and other items.

Special Limited Partner's Noncontrolling Interest in Subsidiary

An affiliate of the Investment Manager is a Special Limited Partner in a consolidated partnership subsidiary. At 31 December 2016 and 2015, the noncontrolling interest of $895,949 and $787,260 represented the Special Limited Partner's capital contribution to the partnership subsidiary and income allocation respectively.

The following table reconciles the carrying amount of net assets, net assets attributable to the controlling interest and net assets attributable to the noncontrolling interest at 31 December 2016 and 2015.

	Controlling Interest	Noncontrolling Interest	Total
Net assets balance, 31 December 2014	$ 694,808,051	$ 758,287	$ 695,566,338
Net increase (decrease) in net assets resulting from operations	28,943,697	28,973	28,972,670
Dividend payment	(23,424,271)	-	(23,424,271)
Net assets balance, 31 December 2015	**$ 700,327,477**	**$ 787,260**	**$ 701,114,737**
Net increase (decrease) in net assets resulting from operations	100,713,774	108,689	100,822,463
Dividend payment	(24,400,282)	-	(24,400,282)
Net assets balance, 31 December 2016	**$ 776,640,969**	**$ 895,949**	**$ 777,536,918**

Carried Interest

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5 percent of the Group's consolidated net increase in net assets resulting from operations, adjusted by withdrawals, distributions, and capital contributions, for a fiscal year in the event that the Group's internal rate of return for such period, based on the net asset value, exceeds 7.5 percent. If losses are incurred for a period, no carried interest is earned and such loss amounts are carried forward to be included in the calculations for future periods. Such loss amounts are reduced proportionately to give effect to the distributions to the general partner of the partnership subsidiary during the performance period. Carried interest is reduced by the amount of carried interest that the Group paid during the period on any investment for which the Investment Manager serves as investment manager. Carried interest is also accrued and paid on any economic gain that the Group realizes on treasury stock transactions. (See note 10). Carried interest is accrued periodically and paid at the conclusion of the fiscal year. As of 31 December 2016 and 31 December 2015, carried interest of $7,866,561 and $0 respectively was accrued.

Investments with the Investment Manager's Platform

The Group holds limited partner interests in private equity funds and funds of funds managed and sponsored by the Investment Manager. These investments will not result in any duplicative NBG investment management fees and carry charged to the Group. As of 31 December 2016 and 2015, the aggregate net asset value of these funds was approximately $232.4 million and $190.9 million, respectively and associated unfunded commitments were $232.1 million and $226.9 million, respectively.

The Group owns a 50% interest in NB Fund of Funds Secondary 2009 LLC ("NBFOFS"). Other funds managed by the Investment Manager own the remaining interest. NBFOFS holds a portfolio of private equity funds acquired in a secondary transaction. NBFOFS pays no fees or carry and the Group bears its share of any direct expenses of NBFOFS.

As of 31 December 2016, the Group has committed $275.0 million and funded $127.8 million to the NB Alternatives Direct Co-investment Programs, committed $50 million and funded $45.4 million to the NB Healthcare Credit Investment Program, committed $30.0 million and funded $10.3 million to Marquee Brands and committed $50 million and funded $6 million to NB Private Equity Credit Opportunity Fund.

Note 4 – Fair Value of Financial Instruments

The Group categorizes its investments and other financial instruments as follows based on inputs to valuation techniques.

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

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

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

The following tables detail the Group's financial assets and liabilities that were accounted for at fair value as of 31 December 2016 and 2015 by level. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Due to the adoption of ASU 2015-07 (see note 2), investments for which fair value is measured using the net asset value per share practical expedient are removed from the fair value hierarchy and reclassified from Level 3 to "Investments measured at net asset value".

	Assets (Liabilities) Accounted for at Fair Value				
As of 31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Investments measured at net asset value[1]**	**Total**
Private equity investments	$ -	$ 23,159,340	$ 590,755,240	$ 153,398,249	$ 767,312,829
Forward foreign exchange contract	-	(3,308,112)	-	-	(3,308,112)
Totals	$ -	**$ 19,851,228**	**$ 590,755,240**	**$ 153,398,249**	**$ 764,004,717**

As of 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Investments measured at net asset value[1]**	**Total**
Private equity investments	$ 21,235,887	$ 16,711,956	$ 595,544,162	$ 180,105,490	$ 813,597,495
Forward foreign exchange contract	-	(5,319,583)	-	-	(5,319,583)
Totals	**$ 21,235,887**	**$ 11,392,373**	**$ 595,544,162**	**$ 180,105,490**	**$ 808,277,912**

1. *Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Condensed Schedules of Private Equity Investments.*

The Group has assessed its positions and concluded that none of its private equity investments are classified as level 1 as of 31 December 2016 and one publicly traded co-investments classified as level 1 as of 31 December 2015.

The Group accounts for transfers at the end of the reporting period in which such transfers occur.

The following table summarizes the changes in the fair value of the Group's level 3 private equity investments for the year ended 31 December 2016.

(dollars in thousands)

For the Year Ended 31 December 2016	Large-cap Buyout	Mid-cap Buyout	Special Situations	Growth/ Venture	Income Investments	Total Private Equity Investments
Balance, 31 December 2015	$ 93,683	$ 172,544	$ 35,300	$ 27,761	$ 266,256	$ 595,544
Purchases of investments and/or contributions to investments	22,739	70,212	12,084	9,068	40,858	154,961
Realized gain (loss) on investments	6,482	2,676	3,438	1,257	26,669	40,522
Changes in unrealized gain (loss) of investments still held at the reporting date	17,488	66,563	1,864	2,667	(2,444)	86,138
Changes in unrealized gain (loss) of investments sold during the period	(7,353)	(7,566)	(6,779)	-	213	(21,485)
Distributions from investments	(19,894)	(19,093)	(2,114)	(2,257)	(222,457)	(265,815)
Transfers in and/or (out) of level 3	890	-	-	-	-	890
Balance, 31 December 2016	**$ 114,035**	**$ 285,336**	**$ 43,793**	**$ 38,496**	**$ 109,095**	**$ 590,755**

The following table summarizes the changes in the fair value of the Group's level 3 private equity investments for the year ended 31 December 2015.

(dollars in thousands)

For the Year Ended 31 December 2015	Large-cap Buyout	Mid-cap Buyout	Special Situations	Growth/ Venture	Income Investments	Total Private Equity Investments
Balance, 31 December 2014	$ 62,652	$ 164,610	$ 23,626	$ 9,055	$ 301,332	$ 561,275
Purchases of investments and/or contributions to investments	17,798	36,157	4,400	18,576	135,552	212,483
Realized gain (loss) on investments	6,261	25,733	5,941	-	32,681	70,616
Changes in unrealized gain (loss) of investments still held at the reporting date	1,914	3,887	(1,656)	130	(14,186)	(9,911)
Changes in unrealized gain (loss) of investments sold during the year	-	(14,524)	587	-	422	(13,515)
Distributions from investments	(6,333)	(42,000)	(6,747)	-	(172,833)	(227,913)
Transfers in and/or (out) of level 3	11,391	(1,319)	9,149	-	(16,712)	2,509
Balance, 31 December 2015	**$ 93,683**	**$ 172,544**	**$ 35,300**	**$ 27,761**	**$ 266,256**	**$ 595,544**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2016

The following table summarizes the valuation methodologies and inputs used for private equity investments categorized in level 3 as of 31 December 2016.

(dollars in thousands)

Private Equity Investments	Fair Value 31 December 2016	Valuation Methodologies	Unobservable Inputs[1]	Ranges (Weighted Average)[2]	Impact to Valuation from an Increase in Input[3]
Direct equity investments					
Large-cap buyout	$ 114,035	Market comparable companies	LTM EBITDA	8.7x-16.2x (13.1x)	Increase
		Market comparable companies	Price to Earnings Ratio	10.5x	Increase
		Other	2016 Fwd Cash Net Income	13.8x	Increase
		See note 2	Net Asset Value[4]	1.0x	Increase
		Other	Most recent financing	Series A	Increase
		Other	Price per Share	37.8x	Increase
Mid-cap buyout	285,336	Market comparable companies	LTM EBITDA	4.8x-28.6x (10.4x)	Increase
		Other	$ per acre	$2,490.0-$9,929.0 ($4,195.8)	Increase
		Other	$ per Barrel of Oil Equivalent	$14.6	Increase
		See note 2	Net Asset Value[4]	1.0x	Increase
		Other	Broker Quote	0.7x-0.8x (0.8x)	Increase
		Other	Escrow Value	1.0x	Increase
		Other	Expected sales proceeds	1.0x	Increase
		Other	Price per Share	20.0x-28.7x (23.2x)	Increase
Special situations	43,793	Discounted Cash Flow	Discount rate	8.3%-12.5% (10.3%)	Decrease
		Market comparable companies	Liquidity discount	15.0%	Decrease
		Market comparable companies	LTM EBITDA	7.0x-8.9x (7.9x)	Increase
		Market comparable companies	Sales multiple	2.7x	Increase
		Black Scholes valuation model	Average volatility	67.5%	Increase
		Black Scholes valuation model	Risk free rate	2.1%	Increase
		See note 2	Net Asset Value[4]	1.0x	Increase
Growth/venture	38,496	Market comparable companies	FWD Revenue Multiple	1.5x	Increase
		Market comparable companies	LTM EBITDA	15.9x	Increase
		Market comparable companies	Revenue Multiple	5.3x	Increase
		Other	Escrow Value	1.0x	Increase
		Other	Most recent financing	Series A, Series B, Series C, Series C-2, Series D	Increase
Income investments	109,095	Discounted Cash Flow	Discount rate	8.3%-12.5% (10.3%)	Decrease
		Market comparable companies	Liquidity discount	15.0%	Decrease
		Market comparable companies	LTM EBITDA	7.3x-13.8x (9.6x)	Increase
		Market comparable companies	Sales multiple	2.7x	Increase
		Expected recovery	Expected recovery	50.3%-79.2% (68.2%)	Increase
		Black Scholes valuation model	Average volatility	67.5%	Increase
		Black Scholes valuation model	Risk free rate	2.1%	Increase
		Bloomberg jump-diffusion model	Average volatility	40.0%	Increase
		Bloomberg jump-diffusion model	Borrow cost	2%	Decrease
		Bloomberg jump-diffusion model	Credit spread	1,300.0 bps	Decrease
		See note 2	Net Asset Value[4]	1.0x	Increase
Total	$ 590,755				

1. LTM means Last Twelve Months, FWD means Forward, EBITDA means Earnings Before Interest Taxes Depreciation and Amortization.
2. Inputs weighted based on fair value of investments in range.
3. Unless otherwise noted, this column represents the directional change in the fair value of level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.
4. The Group utilizes the same valuation methodology as it does for fund investments as these investments are held by investment companies.

The following table summarizes the valuation methodologies and inputs used for private equity investments categorized in level 3 as of 31 December 2015.

(dollars in thousands)					
Private Equity Investments	**Fair Value 31 December 2015**	**Valuation Methodologies**	**Unobservable Inputs**[1]	**Ranges (Weighted Average)** [2]	**Impact to Valuation from an Increase in Input** [3]
Direct equity investments					
Large-cap buyout	$ 93,683	Market comparable companies	LTM EBITDA	8.4x-15.8x (11.9x)	Increase
		See note 2	Net Asset Value[4]	1.0x	Increase
Mid-cap buyout	172,544	Discounted cash flow	Discount rate	10.0%-18.0% (17.1%)	Decrease
		Market comparable companies	FWD EBITDA	6.7x	Increase
		Market comparable companies	LTM EBITDA	5.2x-15.1x (9.7x)	Increase
		Other	$ per acre	$2,266.0-$5,535.0 ($3,131.1)	Increase
		Other	$ per Barrel of Oil Equivalent	$9.6	Increase
		See note 2	Net Asset Value[4]	0.9x-1.0x (1.0x)	Increase
		Other	Escrow value	0.2x-1.0x (0.3x)	Increase
		Other	Expected sales proceeds	1.0x	Increase
Special situations	35,300	Market comparable companies	LTM EBITDA	5.9x-8.3x (7.1x)	Increase
		Market comparable companies	Liquidity discount	15.0%	Decrease
		Market comparable companies	Sales multiple	1.1x	Increase
		Other	Escrow value	1.0x	Increase
Growth/venture	27,761	Market comparable companies	LTM revenue	1.4x-1.7x (1.5x)	Increase
		Market comparable companies	LTM EBITDA	11.0x	Increase
		Other	Most recent financing	Series B, Series C, Series C-2, Series D	Increase
Income investments	266,256	Discounted cash flow	Discount rate	9.0%-13.0% (9.8%)	Decrease
		Market comparable companies	Broker quote	58.5%-89.0% (68.8%)	Increase
		Market comparable companies	LTM adj. EBITDA	6.4x-11.0x (8.8x)	Increase
		Market comparable companies	LTM EBITDA	7.0x-13.8x (9.3x)	Increase
		See note 2	Net Asset Value[4]	1.0x	Increase
		Other	Most recent financing	Series E	Increase
Total	$ 595,544				

1. LTM means Last Twelve Months, EBITDA means Earnings Before Interest Taxes Depreciation and Amortization.
2. Inputs weighted based on fair value of investments in range.
3. Unless otherwise noted, this column represents the directional change in the fair value of level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.
4. The Group utilizes the same valuation methodology as it does for fund investments as these investments are held by investment companies.

Since 31 December 2015, there have been no changes in valuation methodologies within level 2 and level 3 that have had a material impact on the valuation of financial instruments.

Generally, private equity investments have a defined term and no right to withdraw. In the case of fund investments, fund lives are typically ten years; however, a series of extensions often mean the lives can extend significantly beyond this. It should be noted that the life of a fund is based on the time it takes the General Partner to exit the final position in that fund, but the bulk of realizations typically occur considerably before the final exit, with only a small tail existing beyond the standard life of ten years. In the case of direct equity investments and income investments, the Investment Manager does not control the timing of exits but at the time of investment, typically expects investment durations to be meaningfully shorter than fund investments. Therefore although some fund and direct investments may take 10-15 years to reach final realization, the Investment Manager expects the majority of the Group's invested capital in the current portfolio to be returned in much shorter timeframes.

Note 5 – Credit Facility

On 12 December 2012, a subsidiary of the Group amended an agreement with Lloyds Banking Group (formerly Bank of Scotland) to provide for a revised senior secured revolving credit facility (the "2012 Credit Facility") of up to $200.0 million that was scheduled to expire on 30 April 2017. On 7 June 2016, the same subsidiary of the Group entered into an agreement with JP Morgan Chase Bank, N.A. (the "2016 Credit Facility") to refinance the 2012 Credit Facility. The 2016 Credit Facility's availability is up to $150.0 million (including a $25.0 million accordion) that expires on 7 June 2021. At 31 December 2016 and 31 December 2015, $0.0 million and $52.5 million were borrowed, respectively.

The 2016 Credit Facility is guaranteed by the Group as well as all of the Group's subsidiaries and secured by substantially all of the assets of the Group and its subsidiaries.

Under the 2016 Credit Facility, the Group is required to meet certain portfolio concentration tests, a maximum over-commitment test, and certain loan-to-value ratios. In addition, the 2016 Credit Facility limits the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers, repurchase of shares, liens, or other matters customarily restricted in such agreements. The ZDP Shares (see note 6) are compliant with the 2016 Credit Facility agreements. At 31 December 2016, the Group met all requirements under the 2016 Credit Facility.

Under the 2012 Credit Facility, the Group was required to meet certain portfolio diversification tests, a minimum fund/co-investment threshold, maximum exposure limitations, a maximum debt to value ratio, a maximum debt to secured assets ratio, and a maximum over-commitment test. Throughout 2016 up to the date of repayment, the Group met all requirements under the 2012 Credit Facility. As of 31 December 2016 the 2012 Credit Facility was no longer in use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2016

Under the 2016 Credit Facility, the interest rate is calculated as LIBOR plus 3.75% per annum and the Group is required to pay a commitment fee calculated as 1.25% per annum on the daily balance of the unused facility amount.

Under the 2012 Credit Facility, all borrowings bear interest tiered based on loan value. For a loan value less than or equal to $65 million, the interest rate is calculated as LIBOR or Euribor, as appropriate, plus 2.80% per annum. For a loan value in excess of $65 million and less than or equal to $150 million, the interest rate is calculated as LIBOR or Euribor, as appropriate, plus 3.30% per annum. For a loan value greater than $150 million, the interest rate is calculated as LIBOR or Euribor, as appropriate, plus 3.65% per annum.

For the year ended 31 December 2016, the Group incurred and expensed $1,700,185 interest and $1,195,533 for commitment fees. For the year ended 31 December 2015, the Group incurred and expensed $2,663,141 interest and $934,167 for commitment fees. As of 31 December 2016 and 2015, unamortized capitalized debt issuance costs (included in other assets) were $2,008,469 and $719,475 respectively. For the years ended 31 December 2016 and 2015, capitalized amounts are being amortized on a straight-line basis over the term of the Credit Facility. Such amortization amounted to $977,512 and $540,346 for the years ended 31 December 2016 and 2015, respectively.

An active market for debt that is similar to that of the Credit Facility does not exist. The Investment Manager estimates the fair value of the Credit Facility based on comparison to debt instruments with comparable characteristics and considers that, based on the balance borrowed, the fair value of the Credit Facility was $0.0 million at 31 December 2016 and $52.5 million at 31 December 2015.

Note 6 – Zero Dividend Preference Shares

On 30 November 2009 the Company issued 30,000,000 ZDP Shares. On 16 April 2010 the Company issued an additional 2,999,999 ZDP Shares. The additional ZDP Shares rank pari passu with the first ZDP Shares, collectively the “2017 ZDP Shares”. The holders of the 2017 ZDP Shares are entitled to a redemption amount of 100.0 pence per ZDP Share as increased daily at such a daily compound rate as would give a final entitlement of 169.73 pence on 31 May 2017, resulting in an effective interest rate of 7.3% annually. As a result of the Rollover Offer (described below), there were 7,109,599 2017 ZDP Shares outstanding as of 31 December 2016.

On 14 September 2016, the Company completed the successful issuance of 50,000,000 new ZDP shares (the “2022 ZDP Shares”) at a Gross Redemption Yield of 4.00%, the lowest point of the possible range. Holders of the 2017 ZDP Shares were given the offer to rollover their shares to the 2022 ZDP Share series (the “Rollover Offer”). Under the Rollover Offer, eligible holders of the 2017 ZDP Shares converted (by way of re-designation) some or all of their holding of 2017 ZDP Shares into new 2022 ZDP Shares. The rollover was completed at a rollover value of 165.14 pence and 2017 ZDP Shares were converted (by way of re-designation) into 1.6514 2022 ZDP Shares. Approximately 85% of the 2022 ZDP Shares were issued through the Rollover Offer. Approximately 15% of the 2022 ZDP Shares were issued pursuant to the Initial Placing and Offer for Subscription at a price per 2022 ZDP Share of 100 pence. The holders of the 2022 ZDP shares will have a final capital entitlement of 126.74 pence on the repayment date of 30 September 2022. As of 31 December 2016, there were 50,000,000 2022 ZDP Shares outstanding.

The 2017 ZDP Shares and 2022 ZDP Shares rank prior to the Class A Shares and B Shares in respect of repayment of the final entitlement. However, they rank behind any borrowings that remain outstanding. They carry no entitlement to income and their entire return takes the form of capital.

The following table reconciles the liability for ZDP Shares, which approximates fair value, for the years ended 31 December 2016 and 2015.

ZDP Shares	Pounds Sterling	U.S. Dollars
Liability, 31 December 2014	£ 47,287,500	$ 73,659,739
Accrued interest	3,450,436	5,291,830
Premium amortization	(18,633)	(23,048)
Currency conversion	-	(4,188,558)
Liability, 31 December 2015	£ 50,719,303	$ 74,739,963
Net change from 2022 ZDP Share issuance and rollover of 2017 ZDP Shares	24,109,600	27,666,324
Net change in accrued interest	(12,494,081)	(15,545,798)
Premium amortization	(21,571)	(17,925)
Currency conversion	-	(9,948,012)
Liability, 31 December 2016	£ 62,313,251	$ 76,894,552

Capitalized offering costs are being amortized using the effective interest rate method. The unamortized balance at 31 December 2016 and 2015 is $1,823,230 and $390,691 respectively.

Note 7 – Forward Foreign Exchange Contracts

The Group entered into a forward foreign exchange contract in 2009 with the Lloyds Banking Group (formerly Bank of Scotland) to economically hedge, in part, the risk associated with the pounds sterling contractual liability for the ZDP Shares. The Group settled the forward foreign exchange contract on 7 June 2016 with the Lloyds Banking Group. As a result of this settlement, the Group recognized a realized loss of $6,500,000 which is included in net realized gain (loss) on investments and forward foreign exchange contracts on the Consolidated Statements of Operations and Changes in Net Assets.

On 21 September 2016, the Group entered into a forward foreign currency contract with JP Morgan Chase. The contract states that the Group will purchase £50,000,000 on 31 May 2017 for $65,250,000. The Group incurred a $3,270,000 margin call related to this contract which is included in Net realized gain (loss) on investments and forward foreign exchange contracts on the Consolidated Statements of Operations and Changes in Net Assets. The change in unrealized loss of this contract for the year ended 31 December 2016 was $3,308,112 which is included in Net change in unrealized gain (loss) on investments and forward foreign exchange contract on the Consolidated Statements of Operations and Changes in Net Assets. As of 31 December 2016, the fair value of this contract was a liability of $3,308,112 which is included in Accrued expenses and other liabilities in the Consolidated Balance Sheets.

Note 8 – Income Taxes

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

	31 December 2016		31 December 2015	
Current tax expense	$	1,749,401	$	2,710,748
Deferred tax expense (benefit)		(3,586,485)		288,408
Total tax expense (benefit)	**$**	**(1,837,084)**	**$**	**2,999,156**

	31 December 2016		31 December 2015	
Gross deferred tax assets	$	10,301,417	$	4,457,393
Valuation allowance		(5,240,034)		(2,071,267)
Net deferred tax assets		5,061,383		2,386,126
Gross deferred tax liabilities		(6,087,489)		(6,998,717)
Net deferred tax liabilities	**$**	**(1,026,106)**	**$**	**(4,612,591)**

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

The Group has no gross unrecognized tax benefits. The Group is subject to examination by tax regulators for the years subsequent to 2012.

Note 9 – Earnings (Loss) per Share

The computations for earnings (loss) per share for the years ended 31 December 2016 and 2015 are as follows:

	For the Years Ended 31 December 2016	
	2016	2015
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$ 100,713,774	$ 28,943,697
Divided by weighted average shares outstanding for Class A Shares and Class B Shares of the controlling interest	48,800,564	48,800,564
Earnings (loss) per share for Class A Shares and Class B Shares of the controlling interest	**$ 2.06**	**$ 0.59**

Note 10 – Treasury Stock

The Company continues to maintain a liquidity enhancement policy that is intended to enhance and strengthen the liquidity in the trading of the Company's Class A Shares. The Company's Liquidity Enhancement Agreement with ABN AMRO Bank N.V. London Branch, which had been in force since 21 July 2008 (and which was subsequently renewed with The Royal Bank of Scotland N.V. on 29 June 2010), expired on 28 June 2011. Under the terms of Share Buy-Back Programme (described below), the Liquidity Enhancement Agreement was suspended from 21 October 2010 to 28 June 2011.

The Company was party to a Share Buy-Back Agreement with Jefferies International Limited in relation to the market repurchases of Class A Shares on behalf of Company. The Share Buy-Back Programme expired on 31 May 2016; however, the program remains an option to the Company in future periods, if deemed suitable by the Directors at a later time.

The aggregate number of Class A Shares that could be repurchased pursuant to the Share Buy-back Agreement was limited to 6,776,250 shares (being 12.5 per cent of the total number of Class A Shares outstanding as of 21 October 2010, the day before the Share Buy-back Programme commenced). The Company may increase such maximum, subject to any limits to the authority granted to the Company by its shareholders to effect share repurchases. The Company currently has shareholder authority to repurchase shares in the market, the aggregate value of which may be up to 14.99 percent of its net asset value on 1 January in the relevant year in which the buyback is made. The maximum price which may be paid for a Class A Share is an amount equal to the higher of (i) the price of the last independent trade and (ii) the highest current independent bid, in each case, with respect to the Class A Shares on the relevant exchange (being the Specialist Fund Segment of the Main Market of the London Stock Exchange or the regulated market of Euronext Amsterdam N.V.).

The following table summarizes the Group's shares at 31 December 2016 and 2015.

	31 December 2016	31 December 2015
Class A Shares outstanding	48,790,564	48,790,564
Class B Shares outstanding	10,000	10,000
	48,800,564	48,800,564
Class A Shares held in treasury - number of shares	3,150,408	3,150,408
Class A Shares held in treasury - cost	$ 9,248,460	$ 9,248,460
Class A Shares repurchased and cancelled - number of shares	2,269,028	2,269,028
Class A Shares repurchased and cancelled - cost	$ 16,523,000	$ 16,523,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2016

Note 11 – Financial Highlights

The following ratios with respect to the Class A Shares and B Shares have been computed for the years ended 31 December 2016 and 2015:

Per share operating performance (based on average shares outstanding during the year)		**2016**		**2015**
Beginning net asset value	$	14.35	$	14.24
Net increase in net assets resulting from operations:				
Net investment income (loss)		0.07		0.22
Net realized and unrealized gain (loss)		1.99		0.37
Dividend payment		(0.50)		(0.48)
Ending net asset value	**$**	**15.91**	**$**	**14.35**

Total return (based on change in net asset value per share)	**2016**	**2015**
Total return before carried interest	15.47%	4.14%
Carried interest	(1.11%)	-
Total return after carried interest	**14.36%**	**4.14%**

Net investment income (loss) and expense ratios (based on weighted average net assets)	**2016**	**2015**
Net investment income (loss)	0.48%	1.53%
Expense ratios:		
Expenses before interest and carried interest	2.34%	2.37%
Interest expense	0.44%	1.13%
Carried interest	1.11%	-
Expense ratios total	**3.89%**	**3.50%**

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

Note 12 – Commitments and Contingencies

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

Note 13 – Subsequent Events

On 23 January 2017, the board of directors of the Company declared a dividend payment of $0.25 on each ordinary share which was payable on 28 February 2017 with a dividend record date of 3 February 2017.

On 28 March 2017, the Company plans to issue a circular and press release announcing the intention to enfranchise the Class A Shares and to apply for admission of the Class A Shares to listing on the premium segment of the London Stock Exchange.

There have been no other subsequent events through 27 March 2017, the date the consolidated financial statements were available to be issued, that requires recognition or disclosure in the consolidated financial statements.

AIFMD DISCLOSURE ADDENDUM TO THE 2016 ANNUAL REPORT

1. CHANGES TO ARTICLE 23(1) DISCLOSURES

The Alternative Investment Fund Managers' Directive ("AIFMD") requires certain information to be made available to investors in alternative investment funds ("AIFs") before they invest and requires that material changes to this information be disclosed in the annual report of each AIF.

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure.

2. LEVERAGE

For the purposes of this disclosure, leverage is any method by which an AIF's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between an AIF's exposure and its net asset value, and prescribes two required methodologies, the gross methodology and the commitment methodology, for calculating such exposure. Using the methodologies prescribed under the AIFMD, the leverage of the Fund as at 31 December 2016 is disclosed below:

Leverage calculated pursuant to the gross methodology: 1.11

Leverage calculated pursuant to the commitment methodology: 1.11

3. LIQUIDITY AND RISK MANAGEMENT SYSTEMS

The portfolio managers and risk management professionals of NB Alternatives Advisers LLC (the "AIFM") regularly review the investment performance and the portfolio composition of the Fund in the light of the Fund's investment objective, policy and strategy; the principal risks and investment or economic uncertainties that have been identified as relevant to the Fund; internal risk measures and the interests and profile of investors. The AIFM assesses the Fund's current and prospective need for liquidity on an on-going basis and ensures that liquidity is available when required. The risk profile of the Fund as at 31 December 2016 as reported to relevant EEA authorities was as follows:

3.1 Market Risk Profile

The market risk indicators contained in the Annex IV regulatory reporting template were not applicable to the Fund.

3.2 Counterparty Risk Profile

The counterparty risk indicators contained in the Annex IV regulatory reporting template were not applicable to the Fund.

3.3 Liquidity Profile

3.3.1 Portfolio Liquidity Profile

100 per cent of the portfolio is incapable of being liquidated within 365 days, i.e. it would take more than 365 days to liquidate any or all of the portfolio. The Portfolio had unencumbered cash available to it.

3.3.2 Investor Liquidity Profile

100 per cent of investor equity can be redeemed within 2 to 7 days.

3.3.3 Investor Redemption

The Fund does not provide investors with withdrawal or redemption rights in the ordinary course.

AIFMD DISCLOSURE ADDENDUM TO THE 2016 ANNUAL REPORT

4. **REPORT ON REMUNERATION**

The Neuberger Berman Compensation Committee is responsible for the compensation practices within the Neuberger Berman group, and Neuberger Berman also operates a structure throughout the group to ensure appropriate involvement and oversight of the compensation process, so that compensation within the group rewards success whilst reflecting appropriate behaviours.

Neuberger Berman recognizes the need to ensure that compensation arrangements do not give rise to conflicts of interest, and this is achieved through the compensation policies as well as through the operation of specific policies governing conflicts of interests.

Neuberger Berman's compensation philosophy is one that focuses on rewarding performance and incentivizing employees. Employees at Neuberger Berman may receive compensation in the form of base salary, discretionary bonuses and/or production compensation. Investment professionals receive a fixed salary and are eligible for an annual bonus. The annual bonus for an individual investment professional is paid from a "bonus pool" made available to the portfolio management team with which the investment professional is associated. Once the final size of the available bonus pool is determined, individual bonuses are determined based on a number of factors including the aggregate investment performance of all strategies managed by the individual (including the three-year track record in order to emphasize long-term performance), effective risk management, leadership and team building, and overall contribution to the success of Neuberger Berman.

Neuberger Berman considers a variety of factors in determining fixed and variable compensation for employees, including firm performance, individual performance, overall contribution to the team, collaboration with colleagues across the firm, effective partnering with clients to achieve goals, risk management and the overall investment performance.

Neuberger Berman strives to create a compensation process that is fair, transparent, and competitive with the market. A portion of bonuses may be awarded in the form of contingent or deferred cash compensation, including under the "Contingent Compensation Plan", which serves as a means to further align the interests of employees with the interest of clients, as well as rewarding continued employment. Under the Contingent Compensation Plan a percentage of a participant's compensation is awarded in deferred contingent form. Contingent amounts take the form of a notional investment based on a portfolio of Neuberger Berman investment strategies and/or a contingent equity award, and Neuberger Berman believes that this gives each participant further incentive to operate as a prudent risk manager and to collaborate with colleagues to maximise performance across all business areas. The programs specify vesting and forfeiture terms, including that vesting is normally dependent on continued employment and contingent amounts can be forfeited in cases including misconduct or the participants participating in detrimental activity.

Compensation paid to staff of the AIFM in respect of 2016, of which there were 102 beneficiaries, was $119,267,767. Of this aggregate amount, $20,377,500 consisted of fixed remuneration and $ 98,890,267 consisted of variable remuneration. As at 31 December 2016, the Fund represented 1.9673% of the $35,723,000,000 assets under management by the AIFM.

Compensation paid in respect of the management of the Fund to senior management and staff whose role had a material impact on the risk profile on the Fund in respect of 2016 was $1,808,207 in relation to senior management and $16,707,637 in respect of other ‘risk takers’. It is considered that those persons constituting senior managers is the same pool of persons across all of the funds managed by the AIFM and so the disclosure in relation the Fund is based on the proportion of total compensation paid to the senior managers in respect of the Fund by reference to the proportion of the total AUM of the AIFM attributable to the Fund.

March 2017

VALUATION METHODOLOGY

Equity

The Company carries private equity investments at fair value using the best information the Manager has reasonably available to determine or estimate fair value. Publicly traded securities are valued based on quoted prices as of the last day of the relevant period less discounts to reflect legal restrictions associated with the securities, if any, that affect marketability. The Manager determines such values for publicly traded securities held directly as well as known public positions held in the underlying private equity investments on a look-through basis. The Manager estimates fair value for private interests based on a methodology that begins with the most recent information available from the general partner of the underlying fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other information judged to be reliable that reports or indicates valuation changes, including realizations and other portfolio company events. The Manager proactively re-values investments before receiving updated information from the fund manager or lead sponsor if the Manager becomes aware of material events that justify a change in valuation. If the Manager concludes that it is probable that an investment will be sold, the Manager adjusts the carrying value to the amount expected from the sale, exclusive of transaction costs.

Debt

The Manager estimates the enterprise value of each portfolio company and compares such amount to the total amount of the company's debt as well as the level of debt senior to the Company's interest. Estimates of enterprise value are based on a specific measure (such as EBITDA, free cash flow, net income, book value or NAV) believed to be most relevant for the given company and compares this metric in relation to comparable company valuations (market trading and transactions) based on the same metric. In determining the enterprise value, the Manager will further consider the companies' acquisition price, credit metrics, historical and projected operational and financial performance, liquidity as well as industry trends, general economic conditions, scale and competitive advantages along with other factors deemed relevant. Valuation adjustments are made if estimated enterprise value does not support the value of the debt security the Company is invested in and securities senior to the Company's position.

If the principal repayment of debt and any accrued interest is supported by the enterprise value analysis described above, the Manager will next consider current market conditions including pricing quotations for the same security and yields for similar investments. To the extent market quotations for the security are available, the Manager will take into account current pricing and liquidity. Liquidity may be estimated by the spread between bid and offer prices and other available measures of market liquidity, including number and size of recent trades and liquidity scores. If the Manager believes market yields for similar investments have changed substantially since the pricing of the security, the Manager will perform a discounted cash flow analysis, based on the expected future cash flows of the debt securities and current market rates. The Manager will also consider the maturity of the investment, compliance with covenants and ability to pay cash interest when estimating the fair value of debt investments.

FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made and relate to expectations, beliefs, projections (including anticipated economic performance and financial condition), future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts and are subject to risks and uncertainties including, but not limited to, statements as to:

- future operating results;
- business prospects and the prospects of the Company's investments;
- the impact of investments the Company expects to make;
- the dependence of future success on the general economy and its impact on the industries in which the Company invests;
- the ability of the investments to achieve their objectives;
- differences between the investment objective and the investment objectives of the private equity funds in which the Company invests;
- the rate at which capital is deployed in private equity investments, co-investments and opportunistic investments;
- expected financings and investments;
- the continuation of the Investment Manager as the service provider and the continued affiliation with the Investment Manager of its key investment professionals;
- the adequacy of the Company's cash resources and working capital; and
- the timing of cash flows, if any, from the operations of the underlying private equity funds and the underlying portfolio companies.

In some cases, forward-looking statements may be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," and "would," or the negative of those terms or other comparable terminology.

The forward-looking statements are based on the beliefs, assumptions and expectations of the future performance, taking into account all information currently available to the Manager. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to the Manager or are within the Manager's control. If a change occurs, the business, financial condition, liquidity and results of operations may vary materially from those expressed in the forward-looking statements. Factors and events that could cause the business, financial condition, liquidity and results of operations to vary materially include, among other things, general economic conditions, securities market conditions, private equity market conditions, the level and volatility of interest rates and equity prices, competitive conditions, liquidity of global markets, international and regional political conditions, regulatory and legislative developments, monetary and fiscal policy, investor sentiment, availability and cost of capital, technological changes and events, outcome of legal proceedings, changes in currency values, inflation, credit ratings and the size, volume and timing of transactions, as well as other risks described elsewhere in this report and the prospectus relating to the Company's IPO and the Company's prospectus relating to the ZDP Shares.

The foregoing is not a comprehensive list of the risks and uncertainties to which the Company is subject. Except as required by applicable law, the Manager undertakes no obligation to update or revise any forward-looking statements to reflect any change in The Manager's expectations, or any changes in events, conditions or circumstances on which the forward-looking statement is based. In light of these risks, uncertainties and assumptions, the events described by the Company's forward-looking statements might not occur. The Manager qualifies any and all of the forward-looking statements by these cautionary factors.

OVERVIEW OF THE INVESTMENT MANAGER

About NB Alternatives

The NB Alternatives group of Neuberger Berman has 30 years of investing experience specializing in direct equity investments, income investments, private equity funds and secondary investments and has built relationships with leading private equity fund managers over that time.

The Investment Manager makes all of the Company's investment decisions, and the board of directors of the Company has delegated to the Investment Manager the day-to-day management and operations of the Company's business. The Investment Manager's investment decisions are made by its Investment Committee (the "Investment Committee"), which currently consists of nine members with over 265 years of professional experience and average 17 years with the firm. The sourcing and evaluation of the Company's investments is conducted by the Investment Manager's team of approximately 115 investment professionals who specialize in direct equity investments, income investments and fund investments. The Investment Manager currently maintains offices in New York, London, Boston, Dallas, Hong Kong, Milan and Bogotá.

About Neuberger Berman

Neuberger Berman, founded in 1939, is a private, independent, employee-owned investment manager. The firm manages equities, fixed income, private equity and hedge fund portfolios for institutions and advisors worldwide. With offices in 19 countries, Neuberger Berman's team is more than 1,900 professionals and the company has been named by Pensions & Investments as a Best Place to Work in Money Management for four consecutive years. Tenured, stable and long-term in focus, the firm fosters an investment culture of fundamental research and independent thinking. It manages $255 billion in client assets as of December 31, 2016. For more information, please visit our website at www.nb.com.

DIRECTORS, ADVISORS & CONTACT INFORMATION

Ordinary Share Information
Trading Symbol: NBPE
Exchanges: The regulated market of Euronext Amsterdam N.V. and the Specialist Fund Segment of the London Stock Exchange
Euronext Amsterdam Listing Date: 25 July 2007
Specialist Fund Market Trading Admission: 30 September 2009
Base Currency: USD
Bloomberg: NBPE NA, NBPE LN
Reuters: NBPE.AS, NBPE.L
ISIN: GG00B1ZBD492
COMMON: 030991001
Amsterdam Security Code: 600737

ZDP Share Information (2017 / 2022)
Trading Symbol: NBPZ / NBPP
Exchanges: 2017 & 2022 Shares: Specialist Fund Segment of the London Stock Exchange. 2017 Shares also listed on the Daily Official List of The International Stock Exchange
Admission Date: 1 December 2009 / 16 September 2016
Base Currency: GBP / GBP
Bloomberg: NBPEGBP LN / NBPP: LN
Reuters: NBPEO.L
ISIN: GG00B4ZXGJ22 / GG00BD0FRW63
SEDOL: B4ZXGJ2 / BD0FRW6

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