NB CAPITAL CORP
Form 10-Q
August 01, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM__________TO________

Commission file number 1-14103

NB CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	52-2063921
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
65 East 55th Street, New York, New York	10022
(Address of principal executive offices)	**(Zip Code)**

1-866-517-5455
(Registrant's telephone number, including area code)

(N/A)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.
Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer x Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at August 1st, 2008**
	100

Common Stock
par value $0.01
per share

NB CAPITAL CORPORATION

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References to $ are to United States dollars; references to C$ are to Canadian dollars. On June 30, 2008, the Canadian dollar exchange rate posted by the Bank of Canada was C$1.0197 = $1.00 and certain amounts stated herein reflect such exchange rate.

PART I. FINANCIAL INFORMATION
ITEM 1(a). Financial Statements

NB CAPITAL CORPORATION

BALANCE SHEETS

(in thousand of U.S. dollars)	**June 30, 2008 (Unaudited)**	December 31, 2007
	$	$
Assets		
Current assets		
Cash and cash equivalents	**34,737**	16,887
Due from an affiliated company	**18,203**	11,630
Promissory notes - current portion (Note 3)	**244,296**	297,724
Prepaid expenses	**16**	36
Accrued interest on cash equivalents	**4**	5
Total current assets	**297,256**	326,282
Promissory notes (Note 3)	**182,972**	152,356
Total assets	**480,228**	478,638
Liabilities		
Current liabilities		
Due to the parent company	**404**	419
Accounts payable	**53**	71
Total liabilities	**457**	490
Stockholders' equity		
Capital stock and Additional paid-in capital	**476,764**	476,764
Retained earnings	**3,007**	1,384
Total stockholders' equity	**479,771**	478,148
Total liabilities and stockholders' equity	**480,228**	478,638

See accompanying notes to the financial statements.

NB CAPITAL CORPORATION

STATEMENTS OF INCOME

(Unaudited)

(in thousand of U.S. dollars, except per share amounts)	**Three-month periods ended June 30,** **2008**	2007	**Six-month periods ended June 30,** **2008**	2007
	$	$	$	$
Revenue				
Interest income				
Cash and cash equivalents	**86**	759	**495**	1,701
Promissory notes	**7,579**	7,614	**14,618**	14,587
	7,665	8,373	**15,113**	16,288
Expenses				
Servicing and advisory fees	**404**	387	**802**	751
Legal and other professional fees	**79**	92	**151**	153
	483	479	**953**	904
Net income	**7,182**	7,894	**14,160**	15,384
Preferred stock dividends	**6,268**	6,270	**12,537**	12,540
Income available to common stockholders	**914**	1,624	**1,623**	2,844
Weighted-average number of common shares outstanding	**100**	100	**100**	100
Earnings per common share - basic and diluted	**9**	16	**16**	28

See accompanying notes to the financial statements.

NB CAPITAL CORPORATION

STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
(in thousands of U.S. dollars)	**2008**	2007	**2008**	2007
	$	$	$	$
Preferred stock				
Balance, beginning and end of period	**3**	3	**3**	3
Common stock and paid-in capital				
Balance, beginning and end of period	**476,761**	476,761	**476,761**	476,761
Retained earnings				
Balance, beginning of period	**2,093**	3,664	**1,384**	2,444
Net income	**7,182**	7,894	**14,160**	15,384
Preferred stock dividends	**(6,268)**	(6,270)	**(12,537)**	(12,540)
Balance, end of period	**3,007**	5,288	**3,007**	5,288
Total stockholders' equity	**479,771**	482,052	**479,771**	482,052

See accompanying notes to the financial statements.

NB CAPITAL CORPORATION

STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousand of U.S. dollars)	**Six-month periods ended June 30, 2008**	2007
	$	$
Operating activities		
Net income	**14,160**	15,384
Adjustments for :		
Prepaid expenses	**20**	14
Due from an affiliated company	**(6,573)**	(9,929)
Due to the parent company	**(15)**	22
Accounts payable	**(18)**	(10)
Accrued interest receivable on cash equivalents	**1**	23
	7,575	5,504
Financing activities		
Dividends	**(12,537)**	(12,540)
	(12,537)	(12,540)
Investing activities		
Investment in promissory notes	**(155,789)**	(191,298)
Repayments of promissory notes	**178,601**	200,116
	22,812	8,818
Increase in cash and cash equivalents	**17,850**	1,782
Cash and cash equivalents, beginning of period	**16,887**	90,212
Cash and cash equivalents, end of period	**34,737**	91,994

See accompanying notes to the financial statements.

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NB CAPITAL CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(unaudited)
(in thousands of U.S. dollars)

1) Incorporation and nature of operations

NB Capital Corporation (the ‘‘Company’’) was incorporated under the laws of the State of Maryland on August 20, 1997. The Company's principal business is to acquire, hold, finance and manage mortgage assets. The Company issued, through an Offering Circular dated August 22, 1997, $300,000 of preferred stock and simultaneously, National Bank of Canada (the “Bank”), the parent company, made a capital contribution in the amount of $183,000. The Company used the aggregate net proceeds of $477,000 to acquire promissory notes issued by NB Finance, Ltd. (“NB Finance”), a wholly-owned subsidiary of the Bank.

2) Significant accounting policies

Financial statements

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are expressed in U.S. dollars.

The interim financial statements for the three-month and six-month periods are unaudited, however, the financial statements include, in the opinion of management, all adjustments necessary for a fair presentation. The unaudited financial statements should be read in conjunction with the audited financial statements included in the Company’s annual report for the year ended December 31, 2007 filed on Form 10-K. The interim financial statements may not be an indicator of the results anticipated in the full year.

Cash and cash equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and have a maturity of three months or less at the acquisition date.

Promissory notes

In accordance with Statements of Financial Accounting Standards (‘‘SFAS’’) No.115 ‘‘Accounting for certain Investments in Debt and Equity Securities’’ and based on the Company’s intentions regarding these instruments, the Company has classified the Promissory notes as held to maturity and has accounted for them at amortized cost.

Income taxes

The Company has elected to be taxed as a Real Estate Investment Trust (‘‘REIT’’) under the *Internal Revenue Code of 1986*, as amended, and accordingly, is generally not liable for United States federal income tax to the extent that it distributes at least 90% of its taxable income to its stockholders, maintains its qualification as a REIT and complies with certain other requirements. There is no unrecognized tax benefits.

Per share data

Basic and diluted earnings per share with respect to the Company for the three-month and six-month periods ended June 30, 2008 and 2007 are computed based on the number of common shares outstanding during the period.

2) Significant accounting policies (continued)

Interest on promissory notes and cash and cash equivalents

Interest income on the promissory notes and cash and cash equivalents is accrued using the simple interest method based on the average amount of principal outstanding. The accrual of interest is discontinued when management believes that the collection of interest is doubtful.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting standards adopted

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which allows measurement of specified financial instruments, warranty and insurance contracts at fair value on a contract by contract basis, with changes in fair value recognized in earnings in each period. SFAS 159 was effective at the beginning of the fiscal year that began after November 15, 2007, and is effective for the Company in fiscal 2008. The implementation of this standard did not have a material impact on the financial position or results of operations of the Company.

On September 15, 2006, the FASB issued FASB Statement No.157, "Fair Value Measurements" ("FAS 157"), which establishes a framework for measuring fair value in GAAP, and is applicable to other accounting pronouncements where fair value is considered to be the relevant measurement attribute. FAS 157 also expands disclosures about fair value measurements and is effective for the Company since January 1, 2008. The implementation of this standard did not have a material impact on the financial reporting and disclosure of the Company.

3) Promissory notes

The Company entered into loan agreements evidenced by promissory notes with NB Finance, an affiliated company. The promissory notes are collateralized by mortgage loans which are secured by residential first mortgages and insured by the Canada Mortgage and Housing Corporation.

The promissory notes have maturities ranging from July 2008 to January 2015, at rates ranging from 5.84% to 10.15%, with a weighted average rate of approximately 6.85% per annum.

The fair value of the promissory notes as at June 30, 2008 is $434,895. Fair value is estimated by using the present value of expected future cash flows and may not be indicative of the net realizable value.

Promissory notes as of December 31, 2007	$ 450,080
Acquisitions	155,789
Principal repayments	(178,601)
Promissory notes as of June 30, 2008	$ 427,268

The scheduled principal repayments on a year end basis as of June 30, 2008 are as follows:

2008	2013	$ 5,324

	$ 162,016		
2009	$ 141,824	2014	$ 2,514
2010	$ 35,057	2015	$ 8,487
2011	$ 44,225		
2012	$ 27,821		

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4) Transactions with an affiliated company

During the three-month and six-month periods ended June 30, 2008 and June 30, 2007, the Company earned interest from NB Finance on the Promissory notes in the amount of $7,579 ($7,614 in 2007) and $14,618 ($14,587 in 2007) (see Note 3).

The amount of $18,203 due from an affiliate as of June 30, 2008 and $11,630 as of December 31, 2007 represents interest and principal repayments due on the promissory notes from NB Finance.

5) Transactions with the parent company

The Company has entered into agreements with the Bank in relation to the administration of the Company's operations. The agreements are as follows:

Advisory agreement
In exchange for a fee equal to $100 per year, payable in equal quarterly installments, the Bank will furnish advice and recommendations with respect to all aspects of the business and affairs of the Company. During the three-month and six-month periods ended June 30, 2008 and June 30, 2007, fees of $25 ($25 in 2007) and $50 ($50 in 2007) were charged to the Company.

Servicing agreement
The Bank services and administers the promissory notes and the collateralized mortgage loans and performs all necessary operations in connection with such servicing and administration in exchange for a monthly fee based upon the outstanding balance of the collateralized mortgage.

The monthly fee equals one-twelfth (1/12) of 0.25% per annum of the aggregate outstanding balance of the collateralized mortgage loans as of the last day of each calendar month. For the three-month and six-month periods ended June 30, 2008 and June 30, 2007, the average outstanding balance of the collateralized mortgage loans were $551,733 ($511,072 in 2007) and $541,063 ($509,867 in 2007) respectively. During the three-month and six-month periods ended June 30, 2008 and June 30, 2007, fees of $379 ($362 in 2007) and $752 ($701 in 2007), were charged to the Company.

Custodial agreement
The Bank holds all documents relating to the collateralized mortgage loans. During the three-month and six-month periods ended June 30, 2008 and June 30, 2007, no fee was charged to the Company for custodial services.

Interest on cash and cash equivalents
The Company received interest on cash and cash equivalents held with the Bank for the three-month and six-month periods ended June 30, 2008 and June 30, 2007 in the amounts of $86 ($759 in 2007) and $495 ($1,701 in 2007) respectively.

6) Stockholders' equity
(in U.S. dollars)

Common stock
The Company is authorized to issue up to 1,000 shares of $ 0.01 par value common stock. To date:

· 100 shares have been authorized and issued to the Bank.

Preferred stock

The Company is authorized to issue up to 10,000,000 shares of $0.01 par value preferred stock. To date:

- 300,000 shares of preferred stock have been authorized and issued as 8.35% Noncumulative Exchangeable Preferred Stock, Series A ("Series A Preferred Shares"), non-voting, ranked senior to the common stock and junior to the Adjustable Rate Cumulative Senior Preferred Shares, with a liquidation value of $1,000 per share, redeemable at the Company's option on or after September 3, 2007, except upon the occurrence of certain changes in tax laws in the United States or in Canada, on or after September 3, 2002. These Series A Preferred Shares are traded on the New York Stock Exchange in the form of Depository Shares, each Depository Share representing a one-fortieth interest therein.

6) Stockholders' equity (continued)

- Each Series A Preferred Share is exchangeable, upon the occurrence of certain events, for one newly issued 8.45% Noncumulative First Preferred Share, Series Z, of the Bank.

- 1,000 shares of preferred stock have been authorized (110 issued) as Adjustable Rate Cumulative Senior Preferred Shares, non-voting, ranked senior to the common stock and to the Series A Preferred Shares with a liquidation value of $3,000 per share, redeemable at the Company's option at any time and retractable at the holder's option on December 30, 2007 and every ten-year anniversary thereof.

7) Subsequent event

On July 24, 2008, the Company has announced the redemption of all of its outstanding 8.35% Non-Cumulative Exchangeable Preferred Stock, Series A and all of its outstanding Depositary Shares, each of which are listed on the New York Stock Exchange, on September 30, 2008. Each share of Series A Preferred Stock and each Depositary Share will be redeemed for a cash payment of 103.7575% of its liquidation price. As a result, the redemption price for the Series A Preferred Stock will be approximately $1,037.85 per share and the redemption price for the Depository Shares will be approximately $25.94 per share.

ITEM 1(b). NATIONAL BANK OF CANADA SUMMARIZED FINANCIAL INFORMATION

Note 6 of the Notes to the Financial Statements of the Company states that each Series A Preferred Share is exchangeable, upon the occurrence of certain events, for one newly issued 8.45% Noncumulative First Preferred Share, Series Z, of the Bank. Below is the summarized financial information for the Bank for the second quarter of its 2008 fiscal year which ended April 30, 2008.

Highlights

(unaudited)	Quarter ended April 30			Six months ended April 30		
Operating results (millions of Canadian dollars)	**2008**	2007	% **Change**	**2008**	2007	% **Change**
Total revenues	**$ 887**	$ 1,021	(13)	**$ 1,816**	$ 2,010	(10)
Net income	**165**	233	(29)	**420**	473	(11)
Return on common shareholders ' equity	**14.3%**	20.3%		**18.6%**	20.5%	
Per common share						
Earnings - basic	**$ 1.01**	$ 1.42	(29)	**$ 2.59**	$ 2.87	(10)
Earnings - diluted	**1.00**	1.40	(29)	**2.58**	2.83	(9)
Dividends declared	**0.62**	0.54	15	**1.24**	1.08	15
Book value				**28.76**	28.92	(1)
Stock trading range						
High	**53.73**	65.87		**54.25**	66.59	
Low	**44.39**	61.96		**44.39**	61.36	
Close	**53.73**	61.96		**53.73**	61.96	

Financial position (millions of Canadian dollars)	**April 30 2008**	October 31 2007	
Cash resources and securities	**58,359**	48,564	20
Loans and acceptances	**54,032**	52,045	4
Other assets	**11,217**	12,476	(10)
Total assets	**$ 123,608**	$ 113,085	9
Deposits	**70,370**	70,798	(1)
Other liabilities	**44,589**	35,085	27
Subordinated debentures	**1,683**	1,605	5
Non-controlling interest	**1,840**	960	92
Preferres shares	**573**	400	43
Common shares	**1,599**	1,575	2
Contributed surplus	**34**	32	6
Retained earnings	**2,998**	2,793	7
Accumulated other comprehensive income (loss)	**(78)**	(163)	(52)
Total liabilities and shareholder's equity	**$ 123,608**	$ 113,085	9

Capital ratios - BIS under Basel II		
Tier 1	**9.2%**	
Total	**13.3%**	
Capital ratios - BIS under Basel I		
Tier 1	**9.9%**	9.0%
Total	**14.3%**	12.4%
Impaired loans, net of specific and general allowances	**(174)**	(179)
as a % of loans and acceptances	**(0.3)%**	(0.3)%
Assets under administration/management	**237,165**	239,028

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview
(in thousands of U.S. dollars)

This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate", "believe", "estimate", "expect" and simila expressions, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company's management with respect to future events and the Company's future performance and are subject to certain risks, uncertainties and assumptions. Should management's current view of the future or underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. The Company does not intend to update these forward-looking statements.

The Company was incorporated under the laws of the State of Maryland on August 20, 1997. The Company's principal business is to acquire, hold, finance and manage mortgage assets. The Company issued, through an Offering Circular dated August 22, 1997, $300,000 Series A Preferred Shares and simultaneously, the Bank, the Company's parent company, made a capital contribution in the amount of $183,000. The Company used the aggregate net proceeds of $477,000 to acquire promissory notes ("Promissory notes") issued by NB Finance, a wholly-owned subsidiary of the Bank.

The Company's principal business objective is to acquire, hold, finance and manage assets consisting of obligations secured by real property as well as other qualifying REIT assets ("Mortgage Assets"). The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and accordingly, is generally not liable for United States federal income tax to the extent that it distributes at least 90% of its taxable income, subject to certain adjustments, to its stockholders.

This discussion summarizes the significant factors affecting the Company's results of operations, financial condition and liquidation / cash flows for the second quarter ended June 30, 2008, compared to the same period in 2007. This discussion should be read in connection with the financial statements and notes included in the Company's annual report on Form 10-K for the year ended December 31, 2007.

Critical accounting policies

We believe that there are no critical accounting policies in connection with the preparation of the financial statements of the Company.

Results of operations
(in thousands of U.S. dollars)

For the three-month and six-month periods ended June 30, 2008 and June 30, 2007, the Company reported net income of $7,182 ($7,894 in 2007) and $14,160 ($15,384 in 2007) respectively. Revenues for the three-month and six-month periods ended June 30, 2008 and June 30, 2007, which were comprised of interest income on promissory notes and cash and cash equivalents, were $7,665 ($8,373 in 2007) and $15,113 ($16,288 in 2007) respectively, and expenses were $483 ($479 in 2007) and $953 ($904 in 2007) respectively. Since the Company has elected to be taxed as a REIT, no income tax was recorded during the period.

Ninety-nine percent of revenues for the three-month period ended June 30, 2008 and ninety-one percent of revenues for the three-month period ended June 30, 2007 were derived from the Mortgage Assets issued by NB Finance. Ninety-seven percent of revenues for the six-month period ended June 30, 2008 and ninety percent of revenues for the six-month period ended June 30, 2007 were derived from the Mortgage Assets issued by NB Finance. The proportion of revenues derived from the Mortgage Assets was higher than the corresponding period of 2007, due to the decrease in the interest rate revenues on cash equivalents. The Mortgage Assets issued by NB Finance are collateralized by the "Mortgage Loans" that consist of 43 pools of residential first mortgages insured by the Canada Mortgage and Housing Corporation and which are secured by real property located in Canada. The balance of the revenues results from interest on cash equivalents. These revenues derived from the interest on cash equivalents are lower in 2008 than 2007 due to a decrease in the amount of the deposit and in the interest rate on term deposits held in New York (approximate average deposit of $20,353 with a rate ranking from 1.50% to 1.75% in the second quarter of 2008 versus approximate average deposit of $63,901 with a rate of 4.75% in the second quarter of 2007). The Company believes that the majority of revenues will continue to be generated by the Mortgage Assets issued by NB Finance.

Expenses for the three-month and six-month periods ended June 30, 2008 and June 30, 2007 totaled $483 ($479 in 2007) and $953 ($904 in 2007) respectively, of which $404 ($387 in 2007) and $802 ($751 in 2007), respectively, represent servicing and advisory fees paid to the Bank, the Company's direct parent, pursuant to the Servicing Agreement between the Bank and the Company (the "Servicing Agreement") and the Advisory Agreement between the Bank and the Company (the "Advisory Agreement"), whereby the Bank performs all necessary operations in connection with administering the Mortgage Assets issued by NB Finance and the Mortgage Loans. Expenses other than servicing and advisory fees paid to the Bank were legal and professional fees, including payments to the transfer agent, and totaled $79 ($92 in 2007) and $151 ($153 in 2007) for the three-month and six-month periods ended June 30, 2008 and June 30, 2007 respectively.

During the three-month and six-month periods ended June 30, 2008 and June 30, 2007, the Board of Directors of the Company authorized dividends, in the aggregate, of $6,268 ($6,270 in 2007) and $12,537 ($12,540 in 2007) respectively on its Adjustable Rate Cumulative Senior Preferred Shares and the Series A Preferred Shares and, accordingly, the Depository Shares. Such dividends were paid on June 30, 2008 and June 29, 2007.

Capital Resources and Liquidity
(in thousand of U.S. dollars)

The Company's revenues are derived from interest payments from the Mortgage Assets. As of June 30, 2008, $427,268 Mortgage Assets issued by NB Finance were collateralized by C$589,442 ($534,085) of Mortgage Loans. The Company believes that the amounts generated from the payment of interest and principal on such Mortgage Loans will provide more than sufficient funds to make full payments with respect to the Mortgage Assets issued by NB Finance and that such payments will provide the Company with sufficient funds to meet its operating expenses and to pay quarterly dividends on the Senior Preferred Shares (see Note 6 of Financial Statements) and the Series A Preferred Shares (see Note 6 of Financial Statements) and, accordingly, the Depository Shares (see Note 6 of Financial Statements). To the extent that the cash flow from its Mortgage Assets exceeds those amounts, the Company will use the excess to fund the acquisition of additional Mortgage Assets and make distributions on the Common Stock.

The Company does not require any capital resources for its operations and, therefore, it is not expected to acquire any capital assets in the foreseeable future.

As of June 30, 2008, the Company had cash and cash equivalents of $34,737 representing 7.23% of total assets, compared to $91,994 representing 19.07% of total assets and $16,887 representing 3.53% of total assets, as of June 30, 2007 and as of December 31, 2007 respectively. The liquidity level is sufficient for the Company to pay fees and expenses pursuant to the Servicing Agreement and the Advisory Agreement. The Company made purchases of additional Mortgage Assets on March 26, 2008 and May 15, 2008.

The Company's primary business is to invest in Promissory notes issued by NB Finance and then receive repayments of capital and interest on a monthly basis. For the six-month periods ended June 30, 2008 and June 30, 2007, the Company invested $155,789 and $191,298, respectively, into Promissory notes and received $178,601 and $200,116, respectively, in repayments of capital.

The Company's principal short-term and long-term liquidity needs are to pay quarterly dividends on the Senior Preferred Shares and the Series A Preferred Shares and, accordingly, the Depository Shares, to pay fees and expenses of the Bank pursuant to the Servicing Agreement and the Advisory Agreement, and to pay advisors, if any, of the Company.

The Company has announced that its board of directors has authorized on July 24, 2008, the redemption of all of its outstanding 8.35% Non-Cumulative Exchangeable Preferred Stock, Series A and all of its outstanding Depositary Shares on September 30, 2008. Each share of Series A Preferred Stock and each Depositary Share will be redeemed for a cash payment of 103.7575% of its liquidation price. As a result, the redemption price for the Series A Preferred Stock will be approximately $1,037.85 per share and the redemption price for the Depositary Shares will be appoximately $25.94 per share.

Disclosure of Contractual Obligations

The Company does not have any indebtedness (current or long-term), material capital expenditures, balloon payments or other payments due on other long-term obligations. No negative covenants have been imposed on the Company.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in the market risks faced by the Company since December 31, 2007. For information regarding the Company's risks refer to the information under the caption ''Disclosure About Market Risk'' below and to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Disclosure About Market Risk

Any market risk to which the Company would be exposed would result from fluctuations in: (a) interest rates and (b) currency exchange rates affecting the interest payments received by the Company in respect of the Mortgage Assets issued by NB Finance. Since the Mortgage Assets are significantly over collateralized by the Mortgage Loans, interest rate fluctuations should not present significant market risk. The Company expects that the interest and principal generated by the Mortgage Loans should enable full payment by NB Finance of all of its obligations as they come due. Since the Mortgage Loans are guaranteed by a fixed ratio of exchange predetermined on the date of purchase and applicable until the maturity of the Mortgage Loans pursuant to the Mortgage Loan Assignment Agreement, fluctuations in currency exchange rates should not present significant market risk.

ITEM 4. CONTROLS AND PROCEDURES

See Item 4T.

ITEM 4T. CONTROLS AND PROCEDURES

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, as amended, is recorded, processed, summarized and reported, within time periods specified in the Securities and Exchange Commission's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, as amended, is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of June 30, 2008, under the supervision and with the participation of our President and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the President and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

(b) Changes in Internal Controls. There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2008, that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

On April 28, 2008, the Company revised its Code of Business Conduct and Ethics to change one of the officers to whom any questions regarding the Code of Business Conduct and Ethics can be forwarded and any complaints or concerns under the Company's accounting, audit matters or violation of the law can be submitted as well as other minor changes to the wording of the Code. The Company is attaching the revised Code of Business Conduct and Ethics as an exhibit to this quarterly report.

ITEM 6. EXHIBITS

Exhibit No.	Description
11	Computation of Earnings Per Share
14	Code of Business Conduct and Ethics
31.1	Certification of Chairman and President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chairman and President Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	NB CAPITAL CORPORATION
Date : August 1st, 2008	/s/ Donna Goral Donna Goral Chairman of the Board and President
Date : August 1st, 2008	/s/ Jean Dagenais Jean Dagenais Chief Financial Officer