

PRESS RELEASE

The Hague, 17 May 2004

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Merchant Bank NIBCapital posts 64% rise in net profit in first quarter 2004

- Net profit rises 64% from € 22 million to € 36 million.
- NIBCapital's innovative power as an independent Merchant Bank leads to major transactions for new clients.
- Strong reduction in value adjustments to receivables.
- Further diversification to mitigate growing volatility of results.

Key figures (in millions of euros)

In millions of euros

	Q-1 2004	Q-1 2003	change	2003
Operating income	105	91	+15%	358
Operating expenses	41	32	+28%	134
Operating profit	46	33	+39%	124
Net profit	36	22	+64%	74
Efficiency ratio	39%	37%		37%
Return on economic capital	9,6%	5,0%		6,4%
Total assets	24,726	21,50		21,550
Group equity	2,128	2,284		2,092
Bank's Tier 1 ratio *)	12,2%	10,9%		12,8%
Average number of FTEs	652	622		637

*) including proposed dividend

Michael Enthoven, Chairman of the Managing Board of NIB Capital N.V.: "The positive development of NIBCapital continues unabated in 2004. Our client-driven approach based on innovative financial solutions is leading to higher results in all business lines, in keeping with the strategy to further diversify our business model. We are confident that our results will further improve in 2004, but recognise that the current method of transparent, increasingly market value based reporting will lead to higher volatility of results."

Operating profit before taxation per Strategic Business Unit (SBU)

In millions of euros

	Q-1 2004	Q-1 2003	change
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Corporate Finance	34	17	+100%
Financial Markets			
<i>Mortgage Banking</i>	10	11	
<i>Trading & Distribution</i>	17	12	
Total	27	23	+17%
Principal Investments	13	-1	
Investment Management	2	0	
Corporate Center	-15	4	
Operating profit before taxation	61	42	45%

The **SBU Corporate Finance** focuses on originating and executing financing, risk management and advisory services for clients. In this activity client-sector teams, together with product specialists operating in multidisciplinary teams, deliver a wide range of customised products and solutions. In the first quarter a number of major financing and advisory projects were completed.

The doubling of the operating profit compared to the first quarter of 2003 was partly due to sharply lower credit risk provisioning.

The **SBU Financial Markets** focuses on the financial markets and the world-wide distribution of NIBC Capital's assets. The SBU's main activities involve the mortgage banking business and risk management for clients. This concerns trading and distribution activities for corporates, financial institutions, institutional investors and family offices. The 17% rise in the operating profit is mainly the consequence of higher trading results in structured credits and an increase in derivatives and hedge fund transactions with clients. This is related to the growing co-operation with Corporate Finance and our strategic partner Harcourt Investment Consulting in Zurich.

The **SBU Principal Investments**, which comprises all of NIBC Capital's intermediate capital activities, was started in 2003 and is now fully operational. These activities represent a major addition to the services for corporate finance clients, who will benefit from innovative total solutions to complex financing problems. The substantial increase in the results in the first quarter of 2004 mainly stemmed from results realised from the sale of a part of the existing portfolio.

The **SBU Investment Management** accounts for the credit-related asset management activities initiated in 2003 and includes the results of the majority interest in Harcourt Investment Consulting. Harcourt is a Swiss fund of hedge funds, which saw its assets under management grow in the first quarter by over 20% to USD 1.7 billion.

The decline in the results of the **SBU Corporate Center** is the consequence of an impairment in the value of a strategic participating interest and a provision for the indemnification of investors in an investment product.

Strong rise in operating income and lower addition to provisions for credit risks lead to sharp increase in net profit

NIBCapital achieved a net profit of € 36 million in the first quarter of 2004 (Q1 2003: € 22 million). This strong increase was mainly the result of a € 14 million increase in operating income and a lower addition (€ -14 million) to provisions for credit risks. On the other hand, operating expenses also rose, mainly due to negotiated salary increases under the CAO (Collective Labour Agreement) and an increase in the number of employees within the Investment Management and Principal Investments SBUs. These new activities make a significant contribution to the ongoing product development activities and the desired diversification of income.

Results and balance sheet

Results of NIBCapital

In millions of euros

	Q-1 2004	Q-1 2003	change	2003
Interest	60	68	-12%	270
Commission	13	9	+44%	35
Other revenue	32	14	129%	53
Total income	105	91	+15%	358
Operating expenses	-41	-32	+28%	-134
Operating result	64	59	+8%	224
Value adjustments to receivables	-3	-17	-82%	-68
Operating profit before taxation	61	42	+45%	156
Taxation	-15	-9	+66%	-32
Operating profit	46	33	+39%	124
Amortisation of goodwill and cost price adj.	-10	-12		-50
Minority interests	0	-3		-7
Operating net profit	36	18		67
Non-recurring results	0	3		7
Net profit	36	22	+64%	74

Operating profit for the first quarter of 2004 amounted to € 46 million, up 39% relative to the first quarter of 2003.

Total income increased 15% compared to the first quarter of 2003.

Interest income fell 12% to € 60 million, mainly as a result of a reduction in the mortgage business portfolio due to several securitisation transactions in 2003 and a decrease in the credit portfolio. In addition, the weaker US dollar also had a dampening effect.

Commission income surged 44% to € 13 million thanks to higher fees from Corporate Finance activities and due to the sharp growth in assets under management. This shift from interest to fee-related income is in line with our merchant banking business model.

The strong improvement of the structured credits trading results and the results realised on the sale of a portion of the intermediate capital financing portfolio made a significant contribution to the increase in other revenue. Furthermore, there was also an impairment in the value of a strategic participating interest.

Operating expenses were up € 8 million to € 41 million. This increase was largely attributable to higher staff costs as a result of the negotiated salary increases under the CAO (Collective Labour Agreement) and the investments in human capital and technology.

The above developments caused the efficiency ratio (operating expenses/operating income) to rise from 37% to 39% relative to the year-earlier period. However, the ratio is still in line with the goal to maintain the efficiency ratio below 40%.

Value adjustments in receivables amounted to € 3 million in the first quarter versus € 17 million in the first quarter of 2003. The provisions made in the first quarter of 2004 are thus virtually equal to the release of provisions.

Operating return improves sharply

The operating return on economic capital, defined as the operating profit divided by average shareholders' equity less the book value of goodwill plus the FAR (Fund for general banking risks) amounted to 9.6% versus 6.4 % at year-end 2003. Economic capital corresponds with the company's risk-absorbing capital.

NIBC Capital has strong capital structure

NIBC Capital's total assets increased 15% to € 24.7 billion in the first quarter of 2004 compared to year-end 2003. The balance sheet increase is mainly attributable to higher interbank deposits and intensified financial markets activities.

The Bank's Tier-1 ratio (after dividend payment) amounted to 12.2% at end of March 2004, thus testifying to the strength of the Bank's capital structure (minimum Tier-1 requirement is 4%). The rating of the Bank remained unchanged at AA-.

Prospects: Strong basis for further growth

As an independent Merchant Bank NIBC Capital sees many opportunities for further growth. Ongoing investments in human capital and technology, further product development and intensifying of the co-operation with our strategic partners form the basic foundations of the merchant banking business model of NIBC Capital.

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Profile of NIBCcapital

NIBCcapital is an independent Merchant Bank with a global distribution network. The compact and professional organisation and AA- rating give the Bank a unique positioning. As a Merchant Bank, NIBCcapital's business model is aimed at providing corporate finance, risk management and structured investment solutions to corporates, financial institutions, institutional investors and family offices. This model is aimed at offering innovative solutions to our clients' complex problems. The Bank has branches in The Hague, London, Brussels, Singapore and Curaçao as well as representations through strategic partnerships in New York, Zurich and Bergen (Norway).

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*The accounting principles applied in this document correspond with those applied in the Annual Accounts 2003 of NIB Capital N.V..
All figures in this document are unaudited.*

[Enclosure : Balance sheet NIB Capital N.V. 31 March 2004](#)