



# Press Release

Outside trading hours - Regulated information\*

Brussels, Antwerp – 19 September 2014

## **KBC takes decision on Antwerp Diamond Bank**

Given that the sale of Antwerp Diamond Bank (ADB) to Yinren Group could not be successfully completed, KBC has decided, in implementation of the agreement made with the European Commission, to run down the loan portfolio and activities of ADB in a gradual and orderly manner. KBC will carry out this process with respect for its clients and the contractual arrangements agreed with them. No new loans will be granted at ADB and no new business developed. The run-down process will be carried out through a merger by absorption in which ADB will be absorbed into KBC. As a result, outstanding loans will initially continue to be managed by ADB and then in a later phase by KBC. This decision is in accordance with the arrangements agreed with the European Commission on the divestment of ADB. Over time, therefore, the activities, portfolio and the legal entity of ADB will be removed entirely from KBC's scope.

At the end of last year, KBC announced that an agreement had been reached with the Chinese Yinren Group on the acquisition of ADB. Despite the efforts of KBC and ADB to finalise the deal, the Yinren Group has been unable to submit a comprehensive file to the Belgian regulator, the National Bank of Belgium, within the agreed timeframe.

Since 2009, KBC has made continuous efforts to find a suitable strategic investor for ADB. However, due to ADB's specific niche business, the daily funding needs specific to its business model and the difficult economic and market environment, this turned out to be a real challenge. KBC talked to over a hundred potentially interested parties around the world before announcing a sales agreement with the Yinren Group on 19 December 2013, just before the deadline for divestment (already twice extended) of 31 December agreed with the European Commission. This agreement was still subject to the customary approval of the various regulators. However, even after receiving a final three-month extension to make a submission, Yinren Group has failed to submit a comprehensive file to the National Bank of Belgium. In order to honour the divestment arrangements and deadline agreed with the European Commission, KBC has therefore decided to gradually run down ADB's business activities.

In accordance with the applicable IFRS accounting rules, the impairment recorded on the sale of ADB in 2012 and 2013 will be reversed. This will have a positive impact of 0.1 billion euros on KBC's results in the third quarter of 2014. On the other hand, additional loan losses will have to be recognised during the run-down period that cannot be recorded immediately under IFRS. The combined effect on the income statement will be slightly negative.

Subject to approval by the competent authorities, this run-down will be effected through the merger of ADB by absorption by KBC Bank NV. Once absorbed, KBC Bank NV will continue the run-down process. KBC will examine any valid and acceptable proposal which does not lead to any additional financial burden to acquire part or all of the activities of ADB or its loan portfolio submitted during this process by a third party,

provided such proposal fits within the arrangements made with Europe for the full divestment of ADB and is approved by the National Bank of Belgium.

In the months ahead, ADB will contact its clients personally to work out the practicalities with them.

There will not be any collective dismissal in Belgium. A team of ADB staff will be given responsibility for the orderly run-down of operations. The other members of staff at ADB's head office in Antwerp will be deployed elsewhere within the KBC group. ADB's foreign entities will be closed. Small teams will be designated at the foreign entities to run down activities. A redundancy settlement will be worked out for the other employees of these entities in accordance with the social legislation applying in the relevant countries.

**Johan Thijs, CEO of KBC Group NV:** *'It's a pity that, despite long and intense efforts, the Yinren Group was unable to complete the acquisition of Antwerp Diamond Bank within the set deadline. We have always fulfilled our commitments towards the European Commission. Therefore, because the sale is not going to go through, we have no alternative but to run down the company. We regret that a strong brand and a leading player in the diamond banking industry, with a long and rich history, will have to cease operations as a result. I would also like to take this opportunity to acknowledge and express our sincere thanks to ADB's clients and in particular to the staff at Antwerp Diamond Bank who have continued over recent years to provide professional and high-quality service to their clients in what were less than ideal circumstances. I'm convinced that, together with us, they will continue to show the same level of commitment and provide the same level of service to their clients and guide them during the run-down of ADB's activities.'*

**Pierre De Bosscher, CEO of Antwerp Diamond Bank** concluded: *'Its specific niche business made the divestment of Antwerp Diamond Bank less than straightforward, despite the long track record of this renowned institution. It is, of course, unfortunate that no opportunities had emerged in the past few years to develop the business further with a new shareholder. However, I'm convinced that the current approach under the arrangements agreed between KBC and Europe takes full account of the interests of our clients, staff, shareholders and all other stakeholders.'*

#### **Note for the Editor:**

Antwerp Diamond Bank ('ADB') had been earmarked for divestment as part of KBC's strategic plan approved by the European Commission in 2009 because the ADB business model required investments in markets and financial services which were both geographically and inherently no longer considered to be core activities of KBC.

#### **About KBC ([www.kbc.com](http://www.kbc.com))**

KBC is a bank-insurer that focuses on its core markets in Belgium and Central and Eastern Europe. Its headquarters are located in Brussels (Belgium), the heart of Europe. The group employs around 36 000 staff and caters for 9 million clients on its core markets. KBC Group NV is listed on NYSE Euronext Brussels (ticker symbol 'KBC').

#### **About Antwerp Diamond Bank ([www.antwerpdiamondbank.com](http://www.antwerpdiamondbank.com))**

Antwerp Diamond Bank is a specialised bank focusing exclusively on the diamond sector and diamond jewellery sector. It has 75 years of experience in the sector and boasts a solid level of know-how. It is the second largest diamond bank in the world, with a network of branches covering all the major traditional and emerging diamond centres, including Antwerp, Dubai, Hong Kong, and Mumbai. It is a 99.9% subsidiary of KBC and provides different types of financial products and know-how at all its branches and representative offices. The company is based in Antwerp (Belgium) and employs some 160 staff (around 100 of whom work in Antwerp).

For more information, please contact:

Wim Allegaert, General Manager, Investor Relations, KBC Group NV  
Tel. +32 2 429 40 51 E-mail [wim.allegaert@kbc.be](mailto:wim.allegaert@kbc.be)

Viviane Huybrecht, General Manager, Group Communications/Spokesperson, KBC Group NV  
Tel. +32 2 429 85 45 E-mail [pressofficekbc@kbc.be](mailto:pressofficekbc@kbc.be)

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\* This news item contains information that is subject to the transparency regulations for listed companies.

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**KBC Group NV**

Havenlaan 2 – 1080 Brussels  
Viviane Huybrecht  
General Manager  
Corporate Communication /Spokesperson  
Tel. +32 2 429 85 45

Press Office  
Tel. +32 2 429 65 01 Stef Leunens  
Tel. +32 2 429 29 15 Ilse De Muyer  
Fax +32 2 429 81 60  
E-mail: [pressofficekbc@kbc.be](mailto:pressofficekbc@kbc.be)

KBC press releases are available at [www.kbc.com](http://www.kbc.com)  
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[pressofficekbc@kbc.be](mailto:pressofficekbc@kbc.be)

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