

The Great Rebalancing Act

Victor van der Kwast

CEO International Diamond and Jewelry Group

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ID&JG

International Diamond & Jewelry Group



ABN·AMRO

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Today's Agenda

Annual WDC Meeting

July 15, 2010



- **ABN AMRO Bank and ID&JG**
- **Dynamics influencing the market**
- **Developments in the diamond and jewelry industries**
- **Industry outlook**

ABN AMRO: Recent history

- On 1 July 2010 ABN AMRO and Fortis Bank Nederland were merged into a strong combined bank, under the brand name ABN AMRO. Presence in 30 countries.
- ABN remains committed to servicing the global diamond and jewelry industry through the International Diamond & Jewelry Group (ID&JG)

Ownership ABN AMRO



October 2007

Consortium of Fortis, RBS and Banco Santander acquire ABN AMRO Holding N.V. for EUR 71bn or EUR 38 per share



Dutch network
Private Banking
Asset Management

Wholesale clients
Global clients
(Europe & Asia)

Antonveneta
Banco Real



2007-2008

Fortis, RBS and Banco Santander initiate integration of the acquired parts of the former ABN AMRO group



Fortis Bank Nederland  **ABN-AMRO**
- Dutch network
- Private Banking

October 2008

Dutch government takes control over FBN and certain former ABN AMRO group activities acquired by Fortis



 **ABN-AMRO**

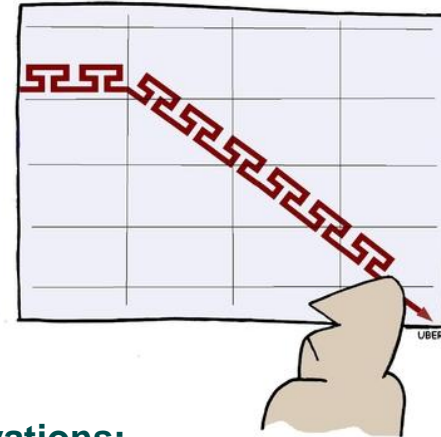
2010 - 2011

ABN AMRO standalone and FBN merge to form a new bank

Economic Developments

EUR / USD rate (1.2685; 08/07/10*)

INR / USD rate (0.0213; 08/07/10*)

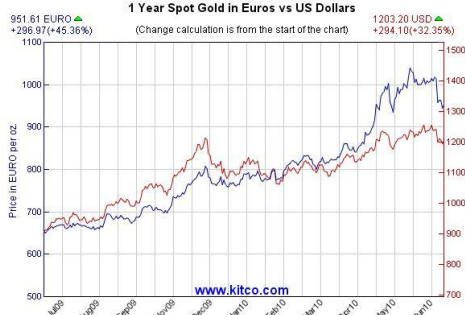


Observations:

- Political & economic turmoil in Europe:
 - Government deficits/Greek bail-out
 - Euro-zone remains worrisome
- US more positive sentiment
- Asia full speed!
- Gold bullish; record high in June
- Mining activity picking up after significant drop
- Rising demand for natural resources
- Capital still scarce
- Interest rates ST low, though corporate lending expensive!
- V or W? Single or double dip? Looks like V...

Gold price (\$1203.20; 08/07/10*)

S&P 500 (1,067.11; 07/07/10*)



Global Diamond Industry

- Japan: weakened retail market
- Value i.s.o. brands

- Russia: Alrosa biggest supplier (?)
- Good local market
- New deal structures

- US recovering, restocking and more optimistic
- Though cautious; unemployment, housing
- Debt rising

- Rough prices strong, but softening
- Active trading
- Rough demand high
- Speculation

- China: on the rise!
- Huge consumer base
- rising spending power;
- many store openings
- **Concern:** sustainable growth internal/external

- India going strong!
- Strong local retail market
- Bridal market
- Speculation

- Southern Africa developing well
- Rough prices strong
- KP challenges
- Distribution variety

Global Industry Developments

■ Key Positives:

- Recovery is ongoing; different pace per region/location
- Demand is growing; though modest
- Supply is 'managed' (worrying for manufacturers)
- Rising prices gold & diamonds → Clients (?)
- Too fast a rise, not sustainable look for stability
- Turnover faster, shorter terms are healthier
- Interest rates low
- Government subsidies (now fading)

- Concerns about Zimbabwe
- Distance diamond industry from human rights violations
- Consumers concerned about social responsibility
- Industry as a whole affected



The Great Rebalancing Act



- East drives recovery?
- Shift of power and market share
- Shift of wealth?
- Growing economies and developing nations now leading nations
- All about the (population) numbers:
 - India 1.15 bln,
 - China 1.25 bln
- Wealth growth, demographics (women)

New Realities, New Opportunities

Traditional Economies

- **US** : Large economy, spending population, still a super power; more positive outlook, though cautious
- **Europe** : Slow growth; PIGS, serious lay-offs
- **Japan** : Huge exporter until recession hit hard



Vs.

New Realities

- **To BRIC & Africa:**
- **Brazil** : Previously hit by hyperinflation, now stable, strong
- **Russia** : Super power with natural resources, even though split
- **India** : Over 1 bln people, English, IT, BPO, low cost, strong growth @ 7%
- **China** : Hardly impacted by crisis (Central bank/government controls), cash rich/capital rich, strong growth @ 10%
- **Africa** : Moving forward; not so affected by crisis, banks not allowed to speculate

- **Turkey?** : Improved S&P's status by 2 notches, and growing middle class
- **Middle East** : Oil price rise again, will recapture government wealth and influence in time



The Road Ahead



Steering Towards Sustainable Growth

- Sky is not the limit
- Suppliers derive great returns with less volume
- Manufacturers have a hard time (margins unsustainable/financing)
- Sustainable growth needs to come from somewhat lower rough price levels
- Closing gap rough/polished, well-managed supply, not too eager demand!

- Keep inventory low; or turning faster!
- Liquidity is scarce
- Credit should be controlled:

2008 ↓	2009 ↑	2010
13 bln	8-9 bln	10-11 bln

Too high!

- Collections is key
- Cash = King
- Sales ≠ Net Profit



Looking for continuity & stability
Create a win-win for all



We remain committed to the industry and ambitious for growth

Bridging Value Chains – Financial Integrator



Precious Metals Industry

- New opportunities within ABN AMRO following integration with Fortis Bank Nederland
- Specialist capabilities re. precious metals and commodities
- Global presence in focused hub locations (e.g. SG, BR, US, EU)

Diamond Private Office

- Unique concept to service diamond-industry professionals via global Private Banking network and capabilities
- Presence across EU, Asia, Middle East

Luxury Industry

- Growing focus on coverage of selected companies in luxury segments
- Enabling value creation and growth in selected markets and segments, like watch industry

Diamond Industry

- Ongoing commitment and industry focus
- Unique global presence with 9 offices in 4 regions
- Wide range of products and services to support clients

Any questions?



Victor van der Kwast
CEO ID&JG

International Diamond & Jewelry Group
Gustav Mahlerlaan 10, 1000 EA Amsterdam, The Netherlands
Pelikaanstraat 70-78, 2018 Antwerp, Belgium
Telephone: +31-20 6299242; Fax: +31-20 6290867
E-mail: victor.van.der.kwast@nl.abnamro.com

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