

**ING Bank N.V.
Hong Kong Branch**

Annual Disclosure Statement

31 December 2016

(Accordance to the Banking (Disclosure) Rules
made pursuant to Section 60A of the Banking Ordinance)

Basis of preparation

The Annual Disclosure Statement for the financial period ended 31 December 2016 (the “Disclosure Statement”) has been prepared in accordance with the relevant requirements of the Banking (Disclosure) Rules made under section 60A of the Banking Ordinance.

The International Financial Reporting Standards adopted by the European Union was applied to the Disclosure Statement. The information in the Disclosure Statement is not audited and does not constitute statutory accounts.

Profit and Loss Information

Figures in HKD million	31 December 2016	31 December 2015
Interest income	955	965
Interest expense	(487)	(405)
Net interest income / (expense)	468	560
- Gains less losses arising from trading in foreign currencies	(5)	(11)
- Gains less losses on securities held for trading purposes	-	-
- Net fees and commission income	125	110
- Others	100	67
Other operating income	220	166
Total operating income	688	726
Staff expenses	(171)	(171)
Rental expense	(42)	(36)
Operating expenses	(132)	(110)
Total operating expenses	(345)	(317)
Net (charge) / credit for impairment losses/allowances for impaired assets	3	7
Gains less losses from the disposal of property, plant and equipment	-	-
Profit / (Loss) ordinary activities before taxation	346	416
Taxation	(58)	(11)
Profit / (Loss) ordinary activities after taxation	288	405

Balance Sheet Information

Figures in HKD million	31 December 2016	30 June 2016
Assets		
Cash and balances with banks	2,794	4,486
Due from exchange fund	37	1,431
Placements with banks and other financial institutions maturing between one and twelve months	12,487	8,186
Amount due from overseas offices	16,421	18,265
Trade bills	4,073	6,115
Certificates of deposit held	-	-
Investment Securities	4,193	1,900
Loans and receivables		
- Advances to customers	24,754	29,591
- Advances to banks and other financial institutions	-	1,075
- Accrued interest and other accounts	229	306
Other Investments	-	-
Individual impairment allowances for impaired assets	-	(16)
Collective impairment allowances for impaired assets	(11)	(10)
Property, plant and equipment	-	2
Total assets	64,977	71,331
Liabilities		
Deposits and balances of banks and other financial institutions	8,933	11,096
Deposits from customers		
- Demand deposits and current accounts	2	1
- Savings deposits	991	1,003
- Time, call and notice deposits	3,423	3,310
Amount due to overseas offices	50,740	54,787
Other accounts and provisions	888	1,134
Total liabilities	64,977	71,331

Additional profit and loss information

1. Net fees and commission income

Figures in HKD million	31 December 2016	31 December 2015
- Fees and commission income	138	119
- Fees and commission expenses	<u>(13)</u>	<u>(9)</u>
	<u>125</u>	<u>110</u>

Additional balance sheet information

2. Analysis of gross advances to customers by industry sectors

Figures in HKD million	31 December 2016		30 June 2016	
Advances for use in Hong Kong	Gross Advances	Collateral and other security	Gross Advances	Collateral and other security
<i>Industrial, commercial and financial sectors</i>				
- Manufacturing	3,564	181	3,142	5
- Property development	1,712	-	488	-
- Property investment	3,274	2,565	3,366	2,656
- Information technology	543	543	566	566
- Wholesale and retail trade	891	-	1,166	-
- Transport and transport equipment	1,799	-	1,659	-
- Financial concerns	1,365	695	1,245	745
- Others	237	-	-	-
	<u>13,385</u>	<u>3,984</u>	<u>11,632</u>	<u>3,972</u>
<i>Individuals</i>				
- For the purchase of other residential properties	-	-	-	-
- Others	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total advances for use in Hong Kong	<u>13,385</u>	<u>3,984</u>	<u>11,632</u>	<u>3,972</u>
Trade finance	7,607	1,057	12,132	3,730
Advances for use outside Hong Kong	<u>3,762</u>	<u>1,030</u>	<u>5,827</u>	<u>1,379</u>
Gross advances to customers	<u>24,754</u>	<u>6,071</u>	<u>29,591</u>	<u>9,081</u>

The above sectorial analysis has been classified according to the usage of advances based on categories and definitions used by the Hong Kong Monetary Authority. Where the collateral values are greater than gross advances, only the amount of collateral up to the gross amounts of advance was included.

Additional balance sheet information

3. Analysis of gross advances to customers by geographical areas after risk transfer

Figures in HKD million	31 December 2016	30 June 2016
Hong Kong	15,683	20,661
Asia Pacific excluding Hong Kong	8,024	7,467
<i>Of which China</i>	<i>6,603</i>	<i>5,783</i>
Europe	389	842
Caribbean	622	621
America	36	-
	<u>24,754</u>	<u>29,591</u>

Gross advances to customers by geographical area are classified according to the principal place of business of the counterparties and after risk transfer.

4. Impairment allowances for impaired loans

Figures in HKD million	31 December 2016	30 June 2016
Individual impairment allowances against advances to customers	-	16
Collective impairment allowances against advances to customers	11	10

Additional balance sheet information

5. Impaired advances to customers

Figures in HKD million	31 December 2016	30 June 2016
Total amount of impaired advances to customers which are individually determined to be impaired	-	16
Individual impairment allowances made in respect of such advances	-	(16)
	- =====	- =====
Total value of collateral	-	-
Percentage of such advances to total advances to customers	0.00%	0.06%
Analysis of such advances by geographical areas after risk transfer:		
- Asia Pacific excluding Hong Kong	-	16
	- =====	16 =====

There were no impaired advances to banks and other financial institutions for the two financial periods.

Additional balance sheet information

6. Overdue and rescheduled advances to customers for more than 3 months

Figures in HKD million	31 December 2016	Percentage to total advances to customers	30 June 2016	Percentage to total advances to customers
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(a) Gross amount of advances to customers which have been overdue for:

Six months or less but over three months	-	0.00%	-	0.00%
One year or less but over six months	-	0.00%	-	0.00%
Over one year	-	0.00%	16	0.06%
	<hr/>		<hr/>	
	-	0.00%	16	0.06%
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Analysis of such advances by geographical areas after risk transfer:

- Asia Pacific excluding Hong Kong	-	0.00%	16	0.06%
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	-	0.00%	16	0.06%
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No advances to banks and other financial institutions and other assets were overdue for more than 3 months for the two financial periods.

(b) Rescheduled advances:

There were no rescheduled advances to customers, banks and other financial institutions for the two financial periods.

(c) Repossession of Assets:

There has not been any repossession of assets during the two financial periods.

Additional balance sheet information

7. Disclosure of Value of Collateral Held Against Overdue Loans and Advances

Figures in HKD million	31 December 2016	30 June 2016
Current market value of collateral held against the covered portion of overdue loans and advances	-	-
Covered portion of overdue loans and advances	-	-
Uncovered portion of overdue loans and advances	-	16
Individual impairment allowances made in respect of overdue loans and advances	-	16

Additional balance sheet information

8. International Claims

Geographical segments and individual countries constituting 10% or more of the aggregate international claims are summarised as follows:

Figures in HKD million	Banks	Official sector	Non-bank private sector		Others	Total
			Non-bank Financial institutions	Non-financial private sector		
<u>31 December 2016</u>						
Developing countries						
of which China	12,931	-	-	5,879	-	18,810
Offshore centres						
of which Hong Kong	141	-	-	10,299	-	10,440
of which Singapore	14	-	-	1,805	-	1,819
<u>30 June 2016</u>						
Developing countries						
of which China	15,007	-	-	10,219	-	25,226
Offshore centres						
of which Hong Kong	50	-	-	13,052	-	13,102
of which Singapore	1,347	-	-	561	-	1,908

The above country/geographical segment classification is based on the head office location of the counterparties and is derived according to the location of the counterparties after taking into account any risk transfer.

The counterparty classifications are identified in accordance with the definitions set out in the banking return of "Return of International Banking Statistics" (the Return) issued by the HKMA.

Additional balance sheet information

9. Non-bank Mainland Exposures

Non-bank counterparties and types of exposures are identified in accordance with the definitions set out in the banking return of “Return of Mainland Activities” issued by the HKMA.

31 December 2016

Figures in HKD million

Types of Counterparties	On- balance sheet exposure	Off- balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	7,833	4,512	12,345
2. Local governments, local government-owned entities and their subsidiaries and JVs	327	-	327
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,297	664	4,961
3.1 Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	3,714	664	4,378
4. Other entities of central government not reported in item 1 above	888	-	888
5. Other entities of local governments not reported in item 2 above	280	-	280
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,443	1,827	3,270
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	2,556	595	3,151
Total	17,624	7,598	25,222
Total assets after provisions	64,977		
On-balance sheet exposures as % of total assets	27.12%		

Additional balance sheet information

9. Non-bank Mainland Exposures (Continued)

30 June 2016

Figures in HKD million

Types of Counterparties	On- balance sheet exposure	Off- balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	13,537	1,436	14,973
2. Local governments, local government-owned entities and their subsidiaries and JVs	346	76	422
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	5,085	1,125	6,210
3.1 Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	5,085	1,125	6,210
4. Other entities of central government not reported in item 1 above	888	-	888
5. Other entities of local governments not reported in item 2 above	201	1	202
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,103	394	1,497
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	2,309	16	2,325
Total	23,469	3,048	26,517
Total assets after provisions	71,331		
On-balance sheet exposures as % of total assets	32.9%		

Additional balance sheet information

10. Currency risk

Figures in HKD million

Foreign currency exposures arising from trading, non-trading and structural positions, where an individual foreign currency net position constitutes 10% or more of the total net position in all foreign currencies:

31 December 2016	<i>Euro</i>	<i>SGD</i>	<i>US dollars</i>	<i>CNY</i>	<i>Total</i>
Spot assets	7,485	305	35,782	2,908	46,480
Spot liabilities	(7,470)	(306)	(45,833)	(2,634)	(56,243)
Forward purchases	8,332	223	22,304	641	31,500
Forward sales	(8,344)	(223)	(12,205)	(927)	(21,699)
Net Long / (short) position	<u>3</u>	<u>(1)</u>	<u>48</u>	<u>(12)</u>	<u>38</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net option position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2016	<i>Euro</i>	<i>SGD</i>	<i>US dollars</i>	<i>CNY</i>	<i>Total</i>
Spot assets	3,460	0	45,990	6,341	55,791
Spot liabilities	(3,466)	0	(56,441)	(2,741)	(62,648)
Forward purchases	0	0	21,996	5,893	27,889
Forward sales	0	0	(11,487)	(9,511)	(20,998)
Net Long / (short) position	<u>(6)</u>	<u>0</u>	<u>58</u>	<u>(18)</u>	<u>34</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net option position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Additional balance sheet information

11. Liquidity information

	31 December 2016	31 December 2015
Average Liquidity Maintenance Ratio (“LMR”)	43.57%	43.45%

The average LMR for the financial period ended is the arithmetic mean of each calendar month’s average LMR calculated in accordance with the Banking (Liquidity) Rules.

Liquidity risk Management

ING Bank N.V. Hong Kong Branch manages its liquidity under the global Funding and Liquidity Risk framework which is defined and set by the Bank Management Board.

Liquidity Management is performed by Bank Treasury and covers the areas of i) intra-day liquidity risk; ii) short term cash management; iii) funding risk (1 week to 1 year tenors); iv) structural liquidity risk (1yr+ tenors); and v) stress testing. Bank Treasury operates under the oversight of and limits set by Assets & Liabilities Committee and Market Risk Management of ING Bank N.V. Hong Kong Branch.

12. Disclosure on remuneration

Pursuant to section 3 of Supervisory Policy Manual (CG-5) Guideline on a sound remuneration system issued by the HKMA, ING Bank N.V. Hong Kong Branch complies with the requirements and has adopted the remuneration systems of ING Bank N.V. Head Office.

For details on ING Bank N.V. Head Office Remuneration Report, please refer to pages 130-131 of the 2016 Annual Report.

Additional balance sheet information

13. Off-balance sheet exposures

Figures in HKD million	31 December 2016	30 June 2016
The contractual or notional amounts outstanding:		
Contingent liabilities and commitments		
- Direct credit substitutes	4,262	1,667
- Transaction-related contingencies	-	-
- Trade-related contingencies	4,652	2,908
- Other commitments	3,026	2,713
- Forward deposits	1,352	739
	13,292	8,027
	13,292	8,027
Derivatives		
- Exchange rate contracts (excluding forward foreign exchange contract arising from swap deposit arrangements)	34,075	33,582
- Interest rate contracts	354	7,775
	34,429	41,357
	34,429	41,357

Additional balance sheet information

13. Off-balance sheet exposures (continued)

Total fair value of the above derivatives is as follows:

Figures in HKD million	31 December 2016	30 June 2016
Exchange rate contracts (excluding forward foreign exchange contract arising from swap deposit arrangements)		
- Positive fair value	654	328
- Negative fair value	(626)	(291)
	28	37
	28	37
Interest rate contracts		
- Positive fair value	-	-
- Negative fair value	-	-
	-	-
	-	-

For contingent liabilities and commitments, the contractual amount represents the amount at risk should the contracts be fully drawn upon and the client defaults. The total of the contractual amounts is not representative of future liquidity requirements.

For derivatives, the notional amounts of these instruments indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk. The total fair value of derivatives does not take into account the effects of bilateral netting arrangements.

Bank information (consolidated basis)

Capital and capital adequacy

Figures in millions of Euros	31 December 2016	31 December 2015
Capital ratios - Tier 1 Ratio	14.70%	13.43%
- Total Capital Ratio	17.77%	16.04%
Shareholders' funds	43,540	40,857

The figures have been calculated in accordance with the Basel Capital Accord and incorporated market risk associated with trading portfolios.

Other financial information (ING Group N.V.)

Figures in millions of Euros

Figures in millions of Euros	31 December 2016	30 June 2016
Total assets	845,081	885,659
Total liabilities	794,682	835,954
Total advances	563,660	554,969
Total customer deposits	522,942	512,819

Figures in millions of Euros	For the period ended 31 December 2016	For the period ended 31 December 2015
Pre-tax profit	5,903	6,172

Details of the above information can be obtained from the ING Group N.V. 2016 annual report.



For immediate release

Annual Disclosure Statement (“Disclosure Statement”)

(According to the Banking (Disclosure) Rules made pursuant to Section 60A of the Banking Ordinance)

Attached is the Disclosure Statement of ING Bank N.V. Hong Kong Branch for the financial period ended 31 December 2016.

A copy of the Disclosure Statement has been lodged with the Hong Kong Monetary Authority’s Public Registry for public inspection.

For enquiries or further information about the Disclosure Statement, please contact Corporate Communications Department at telephone 2848 8488 or direct line in Singapore +65 6539 7725.