

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

Annual Disclosure Statement

31 December 2017

(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 2017 (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 2017	31 December 2016
Interest income	1,429	955
Interest expense	(912)	(487)
Net interest income	517	468
Other operating income		
- Gains less losses arising from trading in foreign currencies	39	(5)
- Gains less losses on securities held for trading purposes	-	-
- Net fees and commission income	179	125
- Others	98	100
Total operating income	833	688
Staff expenses	(182)	(171)
Rental expense	(23)	(42)
Operating expenses	(134)	(132)
Total operating expenses	(339)	(345)
Net (charge) / credit for impairment losses/allowances for impaired assets	(5)	3
Gains less losses from the disposal of property, plant and equipment	-	-
Profit from ordinary activities before taxation	489	346
Taxation	(61)	(58)
Profit from ordinary activities after taxation	428	288

Balance Sheet Information

Figures in HKD million	31 December 2017	30 June 2017
Assets		
Cash and balances with banks	5,528	3,047
Due from exchange fund	504	1,327
Placements with banks and other financial institutions maturing between one and twelve months	23,897	22,289
Amount due from overseas offices	16,575	6,777
Trade bills	9,146	5,114
Investment Securities	4,245	3,998
Loans and receivables		
- Advances to customers	29,034	33,885
- Advances to banks and other financial institutions	-	78
- Accrued interest and other accounts	308	257
Individual impairment allowances for impaired assets	-	(34)
Collective impairment allowances for impaired assets	(17)	(16)
Property, plant and equipment	18	20
Total assets	89,238	76,742
Liabilities		
Deposits and balances of banks and other financial institutions	6,097	7,302
Deposits from customers		
- Demand deposits and current accounts	3	3
- Savings deposits	1,129	1,223
- Time, call and notice deposits	4,906	3,394
Amount due to overseas offices	75,909	63,729
Other accounts and provisions	1,194	1,091
Total liabilities	89,238	76,742

Additional profit and loss information

1. Net fees and commission income

Figures in HKD million	31 December 2017	31 December 2016
- Fees and commission income	182	138
- Fees and commission expenses	<u>(3)</u>	<u>(13)</u>
	<u>179</u>	<u>125</u>

Additional balance sheet information

2. Analysis of gross advances to customers by industry sectors

Figures in HKD million	31 December 2017		30 June 2017	
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	2,726	-	3,016	165
- Property development	2,644	524	2,088	-
- Property investment	3,756	2,749	3,016	2,566
- Information technology	-	-	78	-
- Wholesale and retail trade	500	-	300	-
- Transport and transport equipment	2,428	-	2,814	-
- Financial concerns	2,360	695	1,624	695
- Others	1,999	-	1,990	-
	16,413	3,968	14,926	3,426
<i>Individuals</i>				
- For the purchase of other residential properties	-	-	-	-
- Others	-	-	-	-
	-	-	-	-
	-	-	-	-
Total advances for use in Hong Kong	16,413	3,968	14,926	3,426
Trade finance	6,848	807	12,856	7,628
Advances for use outside Hong Kong	5,773	1,804	6,103	1,540
Gross advances to customers	29,034	6,579	33,885	12,594

The above sectoral 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 2017	30 June 2017
Hong Kong	17,838	21,790
Asia Pacific excluding Hong Kong	9,142	11,438
<i>Of which China</i>	<i>7,761</i>	<i>9,324</i>
Europe	859	16
Caribbean	1,195	641
America	-	-
	<u>29,034</u>	<u>33,885</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 2017	30 June 2017
Individual impairment allowances against advances to customers	-	-
Collective impairment allowances against advances to customers	17	16

Additional balance sheet information

5. Impaired advances to customers

Figures in HKD million	31 December 2017	30 June 2017
Total amount of impaired advances to customers which are individually determined to be impaired	-	-
Individual impairment allowances made in respect of such advances	-	-
	- =====	- =====
Total value of collateral	-	-
Percentage of such advances to total advances to customers	0.00%	0.00%
Analysis of such advances by geographical areas after risk transfer:		
- Asia Pacific excluding Hong Kong	-	-
	- =====	- =====

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 2017	Percentage to total advances to customers	30 June 2017	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%	-	0.00%
	<hr/>	0.00%	<hr/>	0.00%
	<hr/> <hr/>		<hr/> <hr/>	

Analysis of such advances by geographical areas after risk transfer:

- Asia Pacific excluding Hong Kong	-	0.00%	-	0.00%
	<hr/>	0.00%	<hr/>	0.00%
	<hr/> <hr/>		<hr/> <hr/>	

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 2017	30 June 2017
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	-	-
Individual impairment allowances made in respect of overdue loans and advances	-	-

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 2017</u>						
Developing countries						
of which China	34,109	-	-	7,958	-	42,067
Offshore centres						
of which Hong Kong	987	-	-	13,003	-	13,990
of which Singapore	431	-	-	182	-	613

30 June 2017

Developing countries						
of which China	28,095	-	-	7,287	-	35,382
Offshore centres						
of which Hong Kong	152	-	-	15,664	-	15,816
of which Singapore	-	-	-	1,833	-	1,833

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 2017

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	13,894	6,705	20,599
2. Local governments, local government-owned entities and their subsidiaries and JVs	492	71	563
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,830	1,297	6,127
3.1 Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	4,243	1,297	5,540
4. Other entities of central government not reported in item 1 above	314	-	314
5. Other entities of local governments not reported in item 2 above	110	-	110
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,512	2,492	4,004
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,311	355	3,666
Total	24,463	10,920	35,383
Total assets after provisions	89,238		
On-balance sheet exposures as % of total assets	27.41%		

Additional balance sheet information

9. Non-bank Mainland Exposures (Continued)

30 June 2017

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	17,398	3,022	20,420
2. Local governments, local government-owned entities and their subsidiaries and JVs	457	40	497
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,495	1,475	5,970
3.1 Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest	3,910	1,475	5,385
4. Other entities of central government not reported in item 1 above	391	-	391
5. Other entities of local governments not reported in item 2 above	1,084	-	1,084
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,273	1,071	2,344
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	2,301	344	2,645
Total	27,399	5,952	33,351
Total assets after provisions	76,742		
On-balance sheet exposures as % of total assets	35.70%		

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 2017	<i>Euro</i>	<i>Japanese yen</i>	<i>US dollars</i>	<i>CNY</i>	<i>Total</i>
Spot assets	8,558	217	59,976	2,007	70,758
Spot liabilities	(8,524)	(215)	(72,382)	(1,570)	(82,691)
Forward purchases	3,085	3,751	27,740	985	35,561
Forward sales	(3,117)	(3,751)	(15,312)	(1,419)	(23,599)
Net Long / (short) position	<u>2</u>	<u>2</u>	<u>22</u>	<u>3</u>	<u>29</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 2017	<i>Euro</i>	<i>SGD</i>	<i>US dollars</i>	<i>CNY</i>	<i>Total</i>
Spot assets	3,860	1	52,345	2,676	58,882
Spot liabilities	(3,859)	-	(62,517)	(2,148)	(68,524)
Forward purchases	22,472	3,766	38,851	1,566	66,655
Forward sales	(22,472)	(3,766)	(28,652)	(2,094)	(56,984)
Net Long / (short) position	<u>1</u>	<u>1</u>	<u>27</u>	<u>-</u>	<u>29</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 2017	31 December 2016
Average Liquidity Maintenance Ratio (“LMR”)	42.58%	43.57%

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 the qualitative and quantitative disclosure on ING Bank N.V. Head Office Remuneration Report, please refer to pages 17 -19 and 128 -130 of the 2017 Annual Report.

Additional balance sheet information

13. Off-balance sheet exposures

Figures in HKD million	31 December 2017	30 June 2017
The contractual or notional amounts outstanding:		
Contingent liabilities and commitments		
- Direct credit substitutes	3,940	2,839
- Transaction-related contingencies	-	-
- Trade-related contingencies	8,570	4,762
- Other commitments	2,171	2,253
- Forward deposits	2,824	1,581
	17,505	11,435
	17,505	11,435
Derivatives		
- Exchange rate contracts (excluding forward foreign exchange contract arising from swap deposit arrangements)	43,184	68,349
- Interest rate contracts	2,521	7,995
	45,705	76,344
	45,705	76,344

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 2017	30 June 2017
Exchange rate contracts (excluding forward foreign exchange contract arising from swap deposit arrangements)		
- Positive fair value	211	761
- Negative fair value	(210)	(737)
	1	24
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 2017	31 December 2016
Capital ratios - Tier 1 Ratio	14.75%	14.70%
- Total Capital Ratio	18.35%	17.77%
Shareholders' funds	43,662	43,540

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 2017	30 June 2017
Total assets	846,216	862,051
Total liabilities	795,095	811,692
Total advances	574,535	568,237
Total customer deposits	539,799	533,210
	For the period ended 31 December 2017	For the period ended 31 December 2016
Pre-tax profit	7,268	5,903

Details of the above information can be obtained from the ING Group N.V. 2017 annual report and ING Group 2017 interim 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 2017.

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.