



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

Interim Financial Disclosure Statement

30 June 2018

Basis of Preparation

The Interim Financial Disclosure Statement for the half year ended 30 June 2018 (the “Disclosure Statement”) has been prepared in accordance with the relevant requirements of the Banking (Disclosure) Rules and the disclosure standards as stated in the Hong Kong Monetary Authority’s Supervisory Policy Manual on “Guideline on the application of the Banking (Disclosure) Rules”.

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Income Statement (unaudited)

Figures in HKD million	Half year ended 30 June 2018	Half year ended 30 June 2017
Interest income	1,086	616
Interest expense	(833)	(372)
Net interest income	253	244
Other operating income		
Gains less losses arising from trading in foreign currencies	45	7
Gains less losses on securities held for trading purposes	-	-
Net fees and commission income	64	88
Others	27	29
Total operating income	389	368
Operating expenses		
Staff expenses	(95)	(88)
Rental expense	(15)	(11)
Other operating expenses	(97)	(66)
Total operating expenses	(207)	(165)
Net income before impairment allowances	182	203
Net charge of impairment allowances on advances and other accounts	(1)	(39)
Gains less losses from the disposal of fixed assets	-	-
Profit before taxation	181	164
Taxation	(29)	(27)
Profit after taxation	152	137



ING Bank N.V., Hong Kong Branch

Balance Sheet (unaudited)

Figures in HKD million	At 30 June	(Restated) At 31 December
	2018	2017
Assets		
Cash and balances with banks	278	545
Due from exchange fund	211	504
Placements with banks and other financial institutions maturing between one and twelve months	2,250	2,014
Amount due from overseas offices	12,477	16,575
Trade bills	11,629	9,146
Investment securities	5,841	4,245
Loans and receivables		
Advances to customers	46,214	29,034
Advances to banks and other financial institutions	24,883	26,866
Accrued interest and other accounts	432	308
Impairment allowances on advances and other accounts	(8)	(17)
Fixed assets	16	18
Total assets	104,223	89,238
Liabilities		
Deposits and balances of banks and other financial institutions	9,508	6,097
Deposits from customers		
Demand deposits and current accounts	2	3
Savings deposits	1,575	1,129
Time, call and notice deposits	3,286	4,906
Amount due to overseas offices	89,157	76,569
Other liabilities	695	534
Total liabilities	104,223	89,238

Supplementary Financial Information (unaudited)

1. Net Fees and Commission Income

Figures in HKD million	Half year ended 30 June 2018	Half year ended 30 June 2017
Fees and commission income	66	89
Fees and commission expenses	(2)	(1)
	64	88

Supplementary Financial Information (unaudited)

2. Analysis of Gross Advances to Customers by Industry Sectors and Advances Usage

Figures in HKD million	At 30 June 2018		At 31 December 2017	
	Gross Advances	Balance covered by collateral and other security	Gross Advances	Balance covered by collateral and other security
Advances for use in Hong Kong				
<i>Industrial, commercial and financial sectors</i>				
- Manufacturing	3,332	-	2,726	-
- Property development	889	651	2,644	524
- Property investment	4,188	2,989	3,756	2,749
- Wholesale and retail trade	1,571	409	500	-
- Transport and transport equipment	2,186	-	2,428	-
- Financial concerns	2,748	695	2,360	695
- Others	2,180	180	1,999	-
	<u>17,094</u>	<u>4,924</u>	<u>16,413</u>	<u>3,968</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>17,094</u>	<u>4,924</u>	<u>16,413</u>	<u>3,968</u>
Trade finance Advances for use outside Hong Kong	<u>23,135</u>	<u>778</u>	<u>6,848</u>	<u>807</u>
	<u>5,985</u>	<u>2,437</u>	<u>5,773</u>	<u>1,804</u>
Gross advances to customers	<u>46,214</u>	<u>8,139</u>	<u>29,034</u>	<u>6,579</u>

Supplementary Financial Information (unaudited)
3. Analysis of Gross Advances to Customers by Geographical Areas

Figures in HKD million	At 30 June 2018	At 31 December 2017
Asia Pacific	43,269	26,980
<i>Of which: Hong Kong</i>	29,743	17,838
<i>Of which: Mainland China</i>	10,329	7,761
Europe	1,520	859
Caribbean	1,205	1,195
America	220	-
	<u>46,214</u>	<u>29,034</u>

The above analysis by geographical area is based on the location of the counterparty after taking into account the transfer of risk. In general, transfer of risk applies when an advance is guaranteed by a party in a location which is different from that of the counterparty.

4. Impairment Allowances on Advances and Other Accounts

Figures in HKD million	At 30 June 2018	At 31 December 2017
Stage 1	8	N/A
Stage 2	-	N/A
Stage 3	-	N/A
Individual assessed	N/A	-
Collectively assessed	N/A	17
	<u>8</u>	<u>17</u>

Supplementary Financial Information (unaudited)

5. Impaired Advances to Customers

Figures in HKD million	At 30 June 2018	At 31 December 2017
Total amount of impaired advances to customers which are individually determined to be impaired	-	-
Individual impairment allowances made in respect of such advances	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
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	-	-
Europe	-	-
Caribbean	-	-
America	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

There were no impaired advances to banks and other financial institutions as at 30 June 2018 and 31 December 2017.

Supplementary Financial Information (unaudited)

6. Overdue and Rescheduled Advances to Customers

Figures in HKD million	At 30 June 2018		At 31 December 2017	
	Amount	% of gross advances to customers	Amount	% of gross advances to customers

(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%
	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>
	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>

Analysis of such advances by geographical areas after risk transfer:

Asia Pacific	-	0.00%	-	0.00%
Europe	-	0.00%	-	0.00%
Caribbean	-	0.00%	-	0.00%
America	-	0.00%	-	0.00%
	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>
	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>

No advances to banks and other financial institutions and other assets were overdue for more than 3 months as at 30 June 2018 and 31 December 2017.

(b) Rescheduled advances:

There were no rescheduled advances to customers, banks and other financial institutions as at 30 June 2018 and 31 December 2017.

(c) Repossession of Assets:

There were no repossession of assets as at 30 June 2018 and 31 December 2017.

Supplementary Financial Information (unaudited)

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

Figures in HKD million	At 30 June 2018	At 31 December 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	-	-

Supplementary Financial Information (unaudited)

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	Non-bank private sector			Others	Total
		Official sector	Non-bank Financial institutions	Non-financial private sector		
At 30 June 2018						
Developed countries of which Netherlands	12,604	-	-	610	-	13,214
Developing Asia and Pacific countries of which China	29,489	-	-	12,344	-	41,833
Offshore centres of which Hong Kong	292	-	-	25,588	-	25,880
At 31 December 2017						
Developed countries of which Netherlands	16,594	-	-	21	-	16,615
Developing Asia and Pacific countries of which China	34,109	-	-	7,958	-	42,067
Offshore centres of which Hong Kong	987	-	-	13,003	-	13,990

The above analysis is prepared with reference to the completion instructions for the Hong Kong Monetary Authority Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies.

Supplementary Financial Information (unaudited)
9. Non-bank Mainland China Exposures

Figures in HKD million

At 30 June 2018

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and Joint Ventures (“JVs”)	28,175	4,183	32,358
2. Local governments, local government-owned entities and their subsidiaries and JVs	532	58	590
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,357	905	8,262
4. Other entities of central government not reported in item 1 above	355	-	355
5. Other entities of local governments not reported in item 2 above	720	-	720
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,728	3,094	5,822
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,743	481	4,224
Total	43,610	8,721	52,331
Total assets after provisions	104,223		
On-balance sheet exposures as % of total assets	41.84%		

Supplementary Financial Information (unaudited)

9. Non-bank Mainland China Exposures (Continued)

Figures in HKD million

At 31 December 2017

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and Joint Ventures (“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
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%		

Supplementary Financial Information (unaudited)
10. Currency Risk

Figures in HKD million

At 30 June 2018

	USD	EUR	CNY	JPY	ZAR	Others	Total
Spot assets	74,601	6,514	2,879	44	1	275	84,314
Spot liabilities	(85,088)	(6,511)	(2,201)	(44)	-	(275)	(94,119)
Forward purchases	31,311	10,534	815	21	-	8,025	50,706
Forward sales	(20,827)	(10,534)	(1,490)	(21)	-	(8,025)	(40,897)
Net long/(short) position	<u>(3)</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>4</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net option position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

At 31 December 2017

	USD	EUR	CNY	JPY	ZAR	Others	Total
Spot assets	59,976	8,558	2,007	217	2	327	71,087
Spot liabilities	(72,382)	(8,524)	(1,570)	(215)	(1)	(333)	(83,025)
Forward purchases	27,740	3,085	985	3,751	-	3,792	39,353
Forward sales	(15,312)	(3,117)	(1,419)	(3,751)	-	(3,784)	(27,383)
Net long position	<u>22</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>32</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net option position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net position in a particular foreign currency is disclosed if the net position (regardless of sign) constitutes 10% or more of the total net position in all foreign currencies.

There is no structural position/ option position in any currency as at 30 June 2018 and 31 December 2017.

Supplementary Financial Information (unaudited)

11. Liquidity

	For the quarter ended 30 June 2018	For the quarter ended 31 March 2018	Half year ended 30 June 2017
Average Liquidity Maintenance Ratio (“LMR”)	39.19%	41.78%	47.94%

The Branch complies with the minimum requirement of LMR in accordance with the Banking (Liquidity) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

The average LMR is calculated as the simple average of each calendar month’s average LMR.

Liquidity Risk Management

ING Bank N.V., Hong Kong Branch (“the Branch”) manages its liquidity under ING Global Funding and Liquidity Risk framework which is defined and set by the Bank Management Board.

Liquidity Management is performed by Group Treasury and covers the areas of (i) intra-day liquidity risk (Internal Liquidity Adequacy Assessment Process); (ii) short term cash management (overnight and tomorrow next); (iii) funding risk (1 week to 1 year tenors); (iv) structural liquidity risk (1yr+ tenors); and (v) stress testing. Group Treasury operates under the oversight of and limits set by Assets & Liabilities Committee (ALCO) and Market Risk Management of the 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, the Branch complies with the requirements and has adopted the remuneration systems of ING Bank N.V. Head Office. Please refer to 2017 annual report of ING Group N.V. for details.

Supplementary Financial Information (unaudited)

13. Contingent Liabilities and Commitments

Figures in HKD million	At 30 June 2018	At 31 December 2017
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The following is a summary of the contractual amount of each significant class of contingent liabilities and commitments:

Direct credit substitutes	1,228	3,940
Transaction-related contingencies	-	-
Trade-related contingencies	8,776	8,570
Other commitments	32,075	38,504
Forward forward deposits placed	2,960	2,824
	<u>45,039</u>	<u>53,838</u>

The above table shows the contractual amounts of the Branch's off balance sheet exposures that commit it to extend credit to customers. The above amounts represent a worst case scenario of credit risk exposure arising from these instruments, without taking into account any collateral held or other credit enhancements attached. The amounts do not represent amounts at risk at the balance sheet date.

Supplementary Financial Information (unaudited)

14. Derivatives

Figures in HKD million	At 30 June 2018	At 31 December 2017
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The contractual/notional amounts of derivatives are disclosed as follows:

Exchange rate contracts	51,797	43,184
Interest rate contracts	2,303	2,521
	54,100	45,705

The amounts are shown on a gross basis and do not take into account the effect of bilateral netting arrangements.

The contract/notional amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date. They do not represent amounts at risk.

Figures in HKD million	At 30 June 2018	At 31 December 2017
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Total positive and negative fair value of each class of derivatives are disclosed as follows:

Exchange rate contracts		
- Positive fair value	422	211
- Negative fair value	(417)	(210)
	5	1
Interest rate contracts		
- Positive fair value	-	-
- Negative fair value	-	-
	-	-

Supplementary Financial Information (unaudited)

15. Comparative Figures

Certain comparative figures have been reclassified or restated to conform with the financial statements presentation adopted in the current year.

Hong Kong, 28 September 2018

Group Consolidated Financial Information (unaudited)

1. Capital Position and Capital Adequacy Ratios

The information set out below is based on the consolidated accounts of ING Group N.V. (the “Group”).

Figures in EUR million	At 30 June 2018	At 31 December 2017
Shareholders' funds	49,984	50,406
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	14.1%	14.7%
Tier 1 Ratio	15.7%	16.4%
Total Capital Ratio	18.5%	19.1%

The capital adequacy ratios of the Group have been calculated in accordance with the Basel Capital Accord and incorporated market risk associated with trading portfolios.

2. Other Financial Information

Figures in EUR million	Half year ended 30 June 2018	Half year ended 30 June 2017
Pre-tax profit	3,727	3,580
	At 30 June 2018	At 31 December 2017
Total assets	905,984	846,216
Total liabilities	855,267	795,095
Total loans and advances to customers	587,415	574,535
Total customer deposits	556,681	539,799

Details of the above information can be obtained from the ING Group N.V. 2017 annual report and ING Group N.V. 2018 interim report.