



ABN·AMRO

**ABN AMRO Bank N.V. Hong Kong Branch
2017 Annual Financial Disclosure Statements**

In compliance with the disclosure standards set out in the "Banking (Disclosure) Rules" issued by Hong Kong Monetary Authority ("HKMA"), the following key financial information has been provided.

The information is also available at ABN AMRO Bank N.V. Hong Kong Branch and the Public Registry of HKMA.

The International Financial Reporting Standards and Group Accounting Policies were applied to the Disclosure Statement. The information in the Disclosure Statement is not audited and does not constitute statutory accounts.

SECTION A – BRANCH INFORMATION (HONG KONG OFFICE ONLY)

Profit and loss information (HKD'000)	For the twelve months ended	
	31-Dec-17	31-Dec-16
Interest income	888,359	761,658
Interest expenses	534,643	461,510
Net interest income	<u>353,716</u>	<u>300,148</u>
Other operating income		
– Gains less losses arising from foreign exchange operations	(4,906)	45,233
– Gains less losses from other dealing activities	218	410
– Income/(losses) from investment held for trading purposes	20,003	(30,292)
– Net fees and commission income	72,669	58,613
– <i>fees and commission income</i>	85,266	70,517
– <i>fees and commission expenses</i>	12,597	11,904
– Other	141,402	146,931
	<u>229,386</u>	<u>220,895</u>
Operating income	583,102	521,043
Operating expenses	324,393	356,314
of which		
– <i>staff expenses</i>	184,645	185,970
– <i>rental expenses</i>	41,359	54,831
– <i>other expenses</i>	98,389	115,513
Net charge/(credit) for loan impairments	159,187	(2,159)
Gains less losses from disposal of tangible fixed assets	–	–
Profit before taxation	99,522	166,888
Taxation	18,748	27,536
Profit after taxation in respect of continuing operations	<u>80,774</u>	<u>139,352</u>
Profit/(loss) after taxation in respect of discontinuing operations ^{Note 1}	1,080,097	(76,730)
Profit for the period	<u>1,160,871</u>	<u>62,622</u>

Note 1 – During the year, the Branch disposed of its Private Banking Business. This sale was part of the divestment of the non-core segment of ABN AMRO Group N.V. and was completed on 30th April 2017. Prior year amount has been reclassified for consistency with current year presentation.

The results in respect of discontinuing operations are as follows (HKD'000):

	For the	
	twelve months ended	
	31-Dec-17	31-Dec-16
Operating income	15,892	364,659
Operating expenses	123,912	456,551
(Loss) before taxation	<u>(108,020)</u>	<u>(91,892)</u>
Taxation credit	15,674	15,162
(Loss) after taxation	<u>(92,346)</u>	<u>(76,730)</u>
Gain on disposal of discountinuing operations after tax	1,172,443	-
Profit/(loss) after tax from discountinuing operations	<u><u>1,080,097</u></u>	<u><u>(76,730)</u></u>

Balance sheet (HKD'000)	31-Dec-17	30-Jun-17
Assets		
Cash and balances with banks	632,930	2,262,475
Due from Exchange Fund	20,199	35,215
Amount due from overseas offices of the Institution	35,878,995	25,329,509
Trade bills	6,114,565	4,973,928
Securities measured at fair value through profit or loss held for trading	-	-
Available-for-sale securities	3,469,143	3,374,826
Assets of discontinuing operations ^{Note 2}	-	143,347
Advances and other accounts	9,905,018	9,044,067
- advances to customers	10,063,588	9,089,147
- accrued interest receivable	80,666	61,450
- impairment allowances for impaired loans	(239,236)	(106,530)
- <i>collective impairment allowances</i>	(37,202)	(30,349)
- <i>individual impairment allowances</i>	(202,034)	(76,181)
Other accounts	136,827	148,380
- unrealized gains on derivative instruments	27,851	24,037
- other accounts	108,976	124,343
Tangible fixed assets	3,775	8,483
Total assets	<u>56,161,452</u>	<u>45,320,230</u>
Liabilities		
Deposits and balances of banks and other financial institutions (<i>except those included in amount due to overseas offices of the institution</i>)	1,091,309	1
Liabilities of discontinuing operations ^{Note 2}	-	307,866
Deposits from customers	2,311,006	2,699,254
- demand deposits and current accounts	1,662,902	2,347,361
- savings deposits	51,410	31,344
- time, call and notice deposits	596,694	320,549
Amount due to overseas offices of the Institution	52,115,420	41,448,975
Accrued interest payable	56,630	30,220
Other accounts	587,087	833,914
- unrealized losses on derivative instruments	70,050	46,146
- provisions and others	517,037	787,768
Total liabilities	<u>56,161,452</u>	<u>45,320,230</u>

Note 2 – Account receivables and account payables arising from the sale of the Private Banking Business.

Balance Sheet (HKD'000) (continued)
Analysis of impaired loans

As at 31 December 2017, there was no loan and advance to bank customers and therefore no impaired loan to bank customers. The analysis of impaired loans to non-bank customers are as follows:

<i>The impaired loans* to customers are as follows:</i>	31-Dec-17	30-Jun-17
- Gross impaired loans to customers	240,355	76,181
- Individual impairment allowances	202,034	76,181
Percentage of impaired loans to customers to total advances to customers	2.39%	0.84%

* Impaired loans are advances to banks and customers that have been classified as "substandard", "doubtful" and "loss" in accordance with the HKMA Return of Loans and Advances and Provisions (Form MA(BS)2A) completion instructions.

Analysis of overdue advances to customers

The book value of advances to customers that have been overdue for:

	31-Dec-17	30-Jun-17
- more than one month and up to three months;	149,473	-
- more than three months and up to six months;	28,782	-
- more than six months and up to one year; and	-	-
- over one year.	57,330	76,181
	<u>235,585</u>	<u>76,181</u>

Value of collateral held against overdue advances to customers

- Current market value of collateral held against overdue loans and advances	7,673	-
- Covered portion of overdue loans and advances	7,673	-
- Uncovered portion of overdue loans and advances	231,559	76,181

Percentage of overdue loans to customers to total advances to customers

2.38% 0.84%

As at 31 December 2017, ABN AMRO Bank N.V. Hong Kong Branch does not have balances in the following:

1. re-scheduled loans	-	-
2. impairment allowances for loans and advances or other exposures which are maintained at overseas head office	-	-
3. trade bills and debt securities which have been overdue for over three months	-	-
4. repossessed assets	-	-

Non-bank mainland exposures (HKD'000)

The following Mainland exposures to non-bank counterparties are prepared in accordance with HKMA Return of Mainland Activities (Form MA(BS)20) completion instructions.

As at 31 December 2017	On-balance sheet exposure	Off-balance sheet exposure	Total
Types of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	789,012	1,024,086	1,813,098
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,980,729	2,857,661	4,838,390
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China	991,197	-	991,197
Total	3,760,938	3,881,747	7,642,685
Total assets after provision	56,161,452		
On-balance sheet exposures as percentage of total assets	6.70%		

Non-bank mainland exposures (HKD'000) (continued)

As at 30 June 2017	On-balance sheet exposure	Off-balance sheet exposure	Total
Types of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	585,631	304,554	890,185
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,021,296	1,818,195	3,839,491
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China	904,182	325,582	1,229,764
Total	3,511,109	2,448,331	5,959,440
Total assets after provision	45,320,230		
On-balance sheet exposures as percentage of total assets	7.75%		

Off-balance sheet exposures (HKD'000)	31-Dec-17	30-Jun-17
(a) Contingent liabilities and commitments		
– Direct credit substitutes	625,526	635,728
– Transaction-related contingencies	19,216	56,775
– Trade-related contingencies	4,561,929	2,929,047
– Other commitments	11,227,672	16,079,333
	<u>16,434,343</u>	<u>19,700,883</u>

Direct credit substitutes are mainly confirmed letters of credit and financial guarantees contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Transaction-related contingencies are performance guarantees. Trade-related contingencies are mainly issue of letters of credit. Other commitments represent the amounts at risk should contracts be fully drawn upon and clients default.

(b) Derivatives (Notional amounts)		
– Exchange rate contracts	13,744,240	13,255,053
	<u>13,744,240</u>	<u>13,255,053</u>

Derivative contracts were mainly entered into on a back-to-back basis to facilitate clients. The transactions carried out for the account of ABN AMRO Bank N.V. Hong Kong Branch are primarily to manage exchange rate risk.

(c) Total fair value of derivatives		
– Exchange rate contracts	(42,199)	(25,806)
(No bilateral netting arrangements)	<u>(42,199)</u>	<u>(25,806)</u>

As at 31 December 2017, there are no note issuance and revolving underwriting facilities.

Segmental information (HKD'000)	31-Dec-17	31-Dec-17	30-Jun-17	30-Jun-17
	Gross loans and advances	Collateral or other security	Gross loans and advances	Collateral or other security
(a) Total advances to customers by industry sectors				
Advances for use in Hong Kong				
Industrial, commercial and financial:				
– Financial concerns	2	–	100	–
– Wholesale and retail trade	1,143,776	331,321	922,418	492,078
– Manufacturing	58,317	54,598	60,466	53,874
– Others	3	–	8	–
Trade finance	5,551,146	1,238,733	4,794,227	1,167,072
Advances for use outside Hong Kong	<u>3,310,344</u>	<u>2,052,272</u>	<u>3,311,928</u>	<u>1,351,590</u>
Total advances to customers	<u>10,063,588</u>	<u>3,676,924</u>	<u>9,089,147</u>	<u>3,064,614</u>
Percentage of value of collateral to total advances to customers		36.54%		33.72%
Total advances to customers by geographical area of which exposures to (HKD'000):			31-Dec-17	30-Jun-17
– China			3,108,442	2,386,927
– United Arab Emirates			3,090,453	3,290,190
– Hong Kong			2,093,568	2,737,363
– Netherlands			1,502,103	381,008
Overdue loans for use in Hong Kong			–	–
Overdue loans for use outside Hong Kong			57,330	76,181
Overdue loans for trade finance			181,902	–

Advances to customers by geographical area are reported where it constitutes 10% or more of the total advances to customers and classified according to the location of the counterparties. Impaired loans and advances to customers occurred at the year end 31 December 2017 were already disclosed under the analysis of impaired loans. There was no loan and advance to bank customers at the year end 31 December 2017.

Segmental information *(continued)*

(b) International claims (HKD millions)

The following illustrates the major country or geographical segment breakdown of international claims by types of counterparties. A major country or geographical segment is disclosed if international claims attributable to the country or segment (including Hong Kong) constitute not less than 10% of total international claims after taking into account any recognized risk transfer.

		Non-bank private sector				
		Official	Non-bank	Non-		
	Banks	Sector	financial	financial	Others	Total
			institutions	private		
				sector		
As at 31 December 2017						
1. Developed Countries of which Netherlands	36,364	–	1,504	–	–	37,868
2. Offshore centres of which Hong Kong SAR	261	2,714	41	3,582	–	6,598
3. Developing Asia and Pacific of which China	6,134	–	–	641	–	6,775
As at 30 June 2017						
1. Developed Countries of which Netherlands	27,010	–	418	–	–	27,428
2. Offshore centres of which Hong Kong SAR	18	2,634	–	2,843	–	5,495
3. Developing Asia and Pacific of which China	4,958	–	–	298	–	5,256

Currency risk (HKD'000)

The following foreign currency exposures are prepared in accordance with the HKMA Return of Foreign Currency Position (Form MA(BS)6) completion instructions. Foreign currency exposures arising from trading and structural positions with net position (in absolute terms) that constitutes 10% or more of the total net position in all foreign currencies are disclosed.

As at 31 December 2017

	EUR	USD
In HKD'000		
Spot assets	293,646	50,875,772
Spot liabilities	315,178	54,969,611
Forward purchases	-	9,020,689
Forward sales	-	4,709,695
Net (short)/long position	(21,532)	217,155

As at 30 June 2017

	EUR	USD
In HKD'000		
Spot assets	372,126	40,227,927
Spot liabilities	381,859	43,870,863
Forward purchases	-	8,538,673
Forward sales	-	4,708,949
Net (short)/long position	(9,733)	186,788

As at 31 December 2017, there was no foreign currency exposures arising from structural positions.

Liquidity	31-Dec-17	31-Dec-16
Average liquidity maintenance ratio (LMR) for the 12 months (simple average of each calendar month's average ratio)	53.36%	54.96%

ABN AMRO Bank N.V. Hong Kong Branch has a liquidity risk framework in place that matches the overall moderate risk profile of ABN AMRO Group N.V. and the central and local Risk Appetite. ABN AMRO Bank N.V. Hong Kong Branch monitors and analyses its liquidity profile on an on-going basis and actively manages its liquidity risk exposures and (internal) funding needs through interaction with local market or Treasury Amsterdam.

Disclosure on Remuneration

Pursuant to section 3 of Supervisory Policy Manual (CG-5) Guideline on a Sound Remuneration System issued by the HKMA, ABN AMRO Bank N.V. Hong Kong Branch complies with the requirements and has adopted the remuneration systems of ABN AMRO Group N.V.

ABN AMRO Group N.V.
Section B - Consolidated bank information (Euro million)

Capital and capital adequacy	31-Dec-17	30-Jun-17
Total Equity (EU IFRS)	21,330	19,861
Total Common Equity Tier 1 (CET1) capital	18,793	18,352
Total Tier 1 capital	19,618	19,257
Total regulatory capital	22,605	27,213
CET1 ratio	17.70%	17.70%
Tier 1 ratio	18.50%	18.50%
Total capital ratio	21.30%	26.20%

Other financial information	31-Dec-17	30-Jun-17
Total assets	393,171	403,819
of which total advance to customers	274,906	272,059
Total liabilities	371,841	383,958
of which total customers deposits	236,699	235,584
Total risk-weighted assets (risk exposure amount)	106,157	103,970

	For the twelve months ended	
	31-Dec-17	31-Dec-16
Profit before taxation	3,771	2,817



Hong Kong, 23 March 2018

Simon Dodd
Chief Executive,
ABN AMRO Bank N.V. Hong Kong Branch



Dirk van der Merwe
Head of Accounting and Reporting,
ABN AMRO Bank N.V. Hong Kong Branch