

ABN AMRO Bank N.V. Hong Kong Branch
2016 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 the branch of the Bank and the Public Registry of HKMA.

The International Financial Reporting Standards and Group Accounting Policy 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-16	31-Dec-15
Interest income	1,072,674	877,485
Interest expense	626,275	426,829
Net interest income	446,399	450,656
Other operating income		
- Gains less losses arising from foreign exchange operations	75,337	58,769
- Gains less losses from other dealing activities	17,890	56,110
- Losses from investment held for trading purposes	(30,292)	381
- Net fees and commission income	216,460	251,758
- <i>fees and commission income</i>	228,364	264,685
- <i>fees and commission expenses</i>	11,904	12,927
- Others	159,909	138,324
	439,304	505,342
Operating income	885,703	955,998
Operating expenses	812,866	795,248
of which		
- <i>staff expenses</i>	407,528	385,591
- <i>rental expenses</i>	54,831	52,970
- <i>other expenses</i>	350,507	356,687
Net (credit)/charge for loan impairment	(2,159)	91,714
Gains less losses from disposal of tangible fixed assets	-	-
Profit/(loss) before taxation	74,996	69,036
Taxation	12,374	12,480
Profit/(loss) after taxation	62,622	56,556

Prior period amount has been reclassified for consistency with current period presentation. This reclassification has no effect on the reported results of the operations. For the period ended 31 Dec 2015, \$35,912 ('000) is reclassified as Gains arising from foreign exchange operations, previously this amount was classified as Gain from other dealing activities.

Balance sheet (HKD'000)	31-Dec-16	30-Jun-16
Assets		
Cash and balances with banks	1,191,166	3,474,529
Due from Exchange Fund	39,962	810,983
Placements with banks and other financial institutions which have a residual contractual – maturity of more than one month but not more than twelve months (except those included in amount due from overseas offices of the institution)	–	–
Amount due from overseas offices of the Institution	38,625,994	27,977,253
Trade Bills	8,079,220	8,523,953
Securities measured at fair value through profit or loss held for trading	–	–
Available-for-sale securities	6,131,933	5,108,624
Advances and other accounts	14,886,930	13,304,063
– advances to customers	14,919,387	13,337,405
– accrued interest receivable	63,951	62,242
– impairment allowances for impaired loan	(96,408)	(95,584)
– collective impairment allowances	(21,426)	(17,183)
– individual impairment allowances	(74,982)	(78,401)
Other accounts	361,319	401,079
– unrealized gains on derivative instruments	244,128	168,142
– other accounts	117,191	232,937
Tangible fixed assets	12,930	16,735
Total assets	<u>69,329,454</u>	<u>59,617,219</u>
Liabilities		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices of the institution)	166,364	174,804
Due to Exchange Fund	–	–
Deposits from customers	26,105,135	24,239,143
– demand deposits and current accounts	2,001,152	1,832,686
– savings deposits	2,003,394	2,057,854
– time, call and notice deposits	22,100,589	20,348,603
Amount due to overseas offices of the Institution	42,362,636	31,514,801
Accrued interest payable	44,933	40,273
Other accounts	650,386	3,648,198
– unrealized losses on derivative instruments	263,720	210,589
– provisions and others	386,666	3,437,609
Total liabilities	<u>69,329,454</u>	<u>59,617,219</u>

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

As at 31 December 2016, there was no loan and advance to bank customer and therefore no impaired loan to bank customer. The analysis of impaired loans to non-bank customers are as follows:

<i>The impaired loans* to customers are as follows:-</i>	31-Dec-16	30-Jun-16
– Gross impaired loans to customers	74,982	78,401
– Individual impairment allowances	74,982	78,401
Percentage of impaired loans to customers to total advances to customers	0.50%	0.59%
<i>The impaired loans* to banks are as follows:-</i>	31-Dec-16	30-Jun-16
– Gross impaired loans to banks	–	–
– Individual impairment allowances	–	–
Percentage of impaired loans to banks to total balances and placements with banks (overseas offices are excluded)	0.00%	0.00%

* Impaired loans are advances to banks and customers which 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	31-Dec-16	30-Jun-16
The gross amount of advances to customers which have been overdue for:		
– three months or less but over one month;	135,824	–
– six months or less but over three months;	–	–
– one year or less but over six months; and	–	58,381
– over one year.	<u>74,982</u>	<u>20,020</u>
	<u>210,806</u>	<u>78,401</u>
(a) Value of collateral held against overdue advances to customers		
– Current market value of collateral held against overdue loans and advances	321,000	–
– Covered portion of overdue loans and advances	135,824	–
– Uncovered portion of overdue loans and advances	74,982	78,401
Percentage of overdue loans to customers to total advances to customers	1.41%	0.59%

Analysis of overdue advances to customers (continued)

The gross amount of advances to banks which have been overdue for:

- three months or less but over one month;
- six months or less but over three months;
- one year or less but over six months; and
- over one year.

31-Dec-16	30-Jun-16
-	-
-	-
-	-
-	-

(b) Value of collateral held against overdue advances to banks

- Current market value of collateral held
- Covered portion of overdue loans and advances
- Uncovered portion of overdue loans and advances

-	-
-	-
-	-

Percentage of overdue loans to banks to total balances and placements with banks (overseas offices are excluded)

0.00%	0.00%
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As at 31 December 2016, 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 2016	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	-	1,318,198	1,318,198
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,336,959	2,059,898	5,396,857
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	171,079	-	171,079
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China	662,992	109,758	772,750
Total	<u>4,171,030</u>	<u>3,487,854</u>	<u>7,658,884</u>
Total assets after provision	69,329,454		
On-balance sheet exposures as percentage of total assets	6.02%		

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

As at 30 June 2016	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	—	416,982	416,982
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,704,447	2,149,926	3,854,373
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	230,063	—	230,063
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China	425,996	413	426,409
Total	<u>2,360,506</u>	<u>2,567,321</u>	<u>4,927,827</u>
Total assets after provision	59,617,219		
On-balance sheet exposures as percentage of total assets	3.96%		

Off-balance sheet exposures (HKD'000)	31-Dec-16	30-Jun-16
(a) Contingent liabilities and commitments		
– Direct credit substitutes	718,933	1,206,478
– Transaction-related contingencies	12,548	18,749
– Trade-related contingencies	4,179,887	2,956,672
– Other commitments	<u>37,044,146</u>	<u>39,143,395</u>
	<u>41,955,514</u>	<u>43,325,294</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. Trade-related contingencies are mainly issue of letters of credit. Transaction-related contingencies are performance guarantees. Other commitments represent the amounts at risk should contracts be fully drawn upon and clients default.

(b) Derivatives (Notional amounts)		
– Exchange rate contracts	36,752,484	36,357,402
– Others	<u>1,150,199</u>	<u>1,046,712</u>
	<u>37,902,683</u>	<u>37,404,114</u>

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

(c) Total fair value of derivatives		
– Exchange rate contracts	<u>(44,218)</u>	<u>(25,835)</u>
(No bilateral netting arrangements)	<u>(44,218)</u>	<u>(25,835)</u>

As at 31 December 2016, there are no note issuance and revolving underwriting facilities.

Segmental information (HKD'000)	31-Dec-16	31-Dec-16	30-Jun-16	30-Jun-16
	Gross loans and advances	Collateral or other security	Gross loans and advances	Collateral or other security
(a) Total advances to customers by industry sectors				
Loans for use in Hong Kong				
Industrial, commercial and financial:				
– Property development	13,251	13,251	13,352	13,352
– Property investment	905,810	905,810	925,587	925,587
– Financial concerns	3,782,343	3,377,029	3,502,358	3,397,231
– Stockbrokers	–	–	53,576	53,576
– Wholesale and retail trade	587,688	474,033	186,258	37,636
– Manufacturing	31,422	31,421	86,351	81,721
Individuals:				
– Other business purposes	3,197,815	3,175,857	3,059,166	3,022,296
– Other private purposes	913,154	885,907	670,946	667,168
Trade finance	3,494,068	636,210	3,408,255	474,635
Advances for use outside Hong Kong	<u>1,993,836</u>	<u>1,231,032</u>	<u>1,431,556</u>	<u>918,174</u>
Total advances to customers	<u>14,919,387</u>	<u>10,730,550</u>	<u>13,337,405</u>	<u>9,591,376</u>

Percentage of value of collateral to total advances to customers

71.92%

71.91%

Total advances to customers by geographical area
of which exposures to (HKD'000):

	31-Dec-16	30-Jun-16
– Hong Kong	5,640,314	4,812,289
– British Virgin Islands	3,313,444	2,621,039
– United Arab Emirates	2,530,163	2,609,340

Overdue loans for use in Hong Kong

138,780

–

Overdue loans for use outside Hong Kong

93,901

87,269

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 2016 were already disclosed under the analysis of impaired loans. There was no loan and advance to bank customer at the year end 31 December 2016.

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.

	Banks	Non-bank private sector			Others	Total
		Official Sector	Non-bank financial institutions	Non-financial private sector		
As at 31 December 2016						
1. Developed Countries <i>of which Netherlands</i>	38,870	—	210	—	—	39,080
2. Offshore centres <i>of which Hong Kong SAR</i>	5,592	3,286	35	5,721	—	14,634
3. Developing Asia and Pacific <i>of which China</i>	7,089	—	—	500	—	7,589

	Banks	Non-bank private sector			Others	Total
		Official Sector	Non-bank financial institutions	Non-financial private sector		
As at 30 June 2016						
1. Developed Countries <i>of which Netherlands</i>	28,255	—	179	1	—	28,435
2. Offshore centres <i>of which Hong Kong SAR</i>	5,180	2,810	12	5,008	—	13,010
3. Developing Asia and Pacific <i>of which China</i>	6,553	—	—	381	—	6,934

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) which constitutes 10% or more of the total net position in all foreign currencies are disclosed. The net options position is calculated using the delta-weighted approach.

	31-Dec-16	30-Jun-16
	USD	USD
In HKD'000		
Spot assets	56,388,323	46,375,596
Spot liabilities	58,542,561	48,031,517
Forward purchases	17,647,011	16,776,699
Forward sales	15,379,560	14,993,486
Net options position	<u> -</u>	<u> -</u>
Net long (short) position	<u> 113,213</u>	<u> 127,292</u>

As at 31 December 2016, there was no foreign currency exposures arising from structural positions.

Liquidity	31-Dec-16	31-Dec-15
Average liquidity maintenance ratio (LMR) for the 12 months (simple average of each calendar month's average ratio)	54.96%	42.74%

ABN AMRO Hong Kong has a liquidity risk framework in place that matches the overall moderate risk profile of the Bank and the central and local Risk Appetite. ABN AMRO Hong Kong 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, Head Office.

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

Capital and capital adequacy	31-Dec-16	30-Jun-16
Total Equity (EU IFRS)	18,937	17,960
Total Common Equity Tier 1 (CET1) capital	17,775	17,213
Total Tier 1 capital	18,605	18,056
Total regulatory capital	25,637	25,155
CET1 ratio	17.10%	16.20%
Tier 1 ratio	17.90%	17.00%
Total capital ratio	24.60%	23.70%

Other financial information	31-Dec-16	30-Jun-16
Total assets	394,482	418,940
of which total advance to customers	267,679	271,456
Total liabilities	375,544	400,981
of which total customers deposits	228,758	240,784
Total risk-weighted assets (risk exposure amount)	104,215	106,137

	For the twelve months ended	
	31-Dec-16	31-Dec-15
Profit/(loss) before taxation	2,817	2,722



Hong Kong, 31 March 2017

Maureen Saskia de Rooij

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