

ING INTERMEDIATE HOLDINGS LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

Registered Number: 3002705

**FOR THE YEAR ENDED
31 DECEMBER 2016**

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ING INTERMEDIATE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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ING INTERMEDIATE HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the company are to act as a holding company; the VAT registered entity for the UK operations of ING Bank N.V. and its subsidiary companies (together, "ING").

ING Intermediate Holdings Limited is the parent company of a group of companies carrying out activities related to the business of wholesale banking.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company has performed in line with the directors' expectations. Based on the limited operations of the company, the directors have concluded that KPI monitoring is not necessary. The income statement, statement of comprehensive income, balance sheet, statement of changes in equity and statement of cash flows are set out respectively on pages 7 to 11.

The directors have assessed the company's ability to continue as a going concern and confirm that they are satisfied that the company currently has adequate resources to continue in business for the foreseeable future. For this reason, they believe it is appropriate to prepare the financial statements of the company on a going concern basis.

For the foreseeable future, the company will continue to act as a holding company.

The business activity during the year has significantly decreased due to the sale of the investment in the Investcorp Private Equity 2007 Fund in the previous year.

The company was the lessee under a lease agreement for the previous office premises for the UK operations of ING Bank N.V. which has expired in September 2016.

On 23 June 2016 the UK voted to leave the European Union (EU) and on 29 March 2017 the UK Government invoked Article 50, providing formal notification of the UK's desire to leave the EU. At the date of signing these accounts the directors do not foresee any immediate risks crystallising, however they acknowledge the uncertainty that now exists. The directors will continue to review the potential impacts.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is mainly exposed to credit, market and operational risks.

Credit risk

Credit risk is the risk that the company's debtors will cause a financial loss by failing to discharge an obligation. This risk is mitigated as the debtor balances are with group companies.

Market risk

Market risk is the risk that the value of the company's investments may change due to changes in interest rates, economic or market conditions. The company manages this risk through the ING Groep N.V. market risk management framework.

Operational risk

Operational risk is the risk of direct or indirect loss returning from inadequate or failed internal processes, people and systems or from external events. The company manages this risk through the ING Groep N.V. non-financial risk management framework.

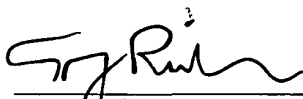
ING INTERMEDIATE HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

RISK MANAGEMENT

The company monitors principal risks and uncertainties through the ING Groep N.V. risk and financial management framework the primary objective of which is to protect the company from events that hinder the achievement of the company's performance objectives. The framework aims to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risks faced by the company.

Approved by the board of directors on 15 August 2017 and signed on behalf of the Board.



G. Richardson
Director

ING INTERMEDIATE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

DIVIDENDS AND TRANSFERS TO RESERVES

The profit for the financial year 2016 of £5,369 (2015: £671,237 loss) has been transferred to reserves.

No dividend was paid in 2016 (2015: £8,000,000) to the sole shareholder, ING Bank N.V.

DIRECTORS AND THEIR INTERESTS

The directors during the year and up to the signing of these financial statements were:

- A. N. Marsh (Company Secretary)
- G. Richardson

None of the directors had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. ING Bank N.V., London branch provided qualifying third party indemnity provisions to the directors of the company during the financial year and at the date of this report.

REGISTERED OFFICE

8-10 Moorgate
London
EC2R 6DA
United Kingdom

DISCLOSURE OF ITEMS WITHIN THE STRATEGIC REPORT

The directors have included statements relating to the principal activities of the company, review of the business and future developments, going concern, the principal risks and uncertainties facing the company, and risk management in the Strategic Report.

POLITICAL CONTRIBUTION

The company made no political donations or incurred any political expenditure during the year.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITORS

During the year, Ernst & Young LLP (25 Churchill Place, Canary Wharf, London, E14 5EY) resigned and KPMG LLP (15 Canada Square, Canary Wharf, London, E14 5GL) was appointed as the auditors of the company. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the board of directors on 15 August 2017 and signed on behalf of the Board.



G. Richardson
Director

ING INTERMEDIATE HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

ING INTERMEDIATE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ING INTERMEDIATE HOLDINGS LIMITED

We have audited the financial statements of ING Intermediate Holdings Limited for the year ended 31 December 2016 set out on pages 7 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

ING INTERMEDIATE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ING INTERMEDIATE HOLDINGS LIMITED (continued)

- we have not received all the information and explanations we require for our audit.
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Nicholas Edmonds (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

15 August 2017

ING INTERMEDIATE HOLDINGS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Investment income		-	435,614
Dividend income		-	194,420
OPERATING PROFIT		-	630,034
Interest income	5	5,369	22,452
Other expenses		-	(4,184)
Loss on foreign exchange translations		-	(954)
Loss on sale of investments		-	(1,318,585)
PROFIT/(LOSS) BEFORE TAXATION		5,369	(671,237)
Taxation	6	-	-
PROFIT/(LOSS) FOR THE YEAR		5,369	(671,237)

The notes on pages 12 to 16 form an integral part of these financial statements.

ING INTERMEDIATE HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Profit/(loss) for the year	5,369	(671,237)
Other comprehensive income		
Realised gains transferred to the profit and loss account	-	219,800
Exchange differences on translation of AFS financial asset	-	(31,765)
Other comprehensive income for the year, net of income tax	-	188,035
Total comprehensive income for the year	5,369	(483,202)

The notes on pages 12 to 16 form an integral part of these financial statements.

ING INTERMEDIATE HOLDINGS LIMITED

BALANCE SHEET **AS AT 31 DECEMBER 2016**

	Notes	2016 £	2015 £
NON-CURRENT ASSETS			
Investments in group companies	7	<u>4</u>	<u>4</u>
		4	4
CURRENT ASSETS			
Cash and cash equivalent	8	<u>1,137,410</u>	<u>1,132,041</u>
NET CURRENT ASSETS		<u>1,137,410</u>	<u>1,132,041</u>
NET ASSETS		<u><u>1,137,414</u></u>	<u><u>1,132,045</u></u>
EQUITY			
Share capital	9	1,000,000	1,000,000
Retained earnings		<u>137,414</u>	<u>132,045</u>
TOTAL EQUITY		<u><u>1,137,414</u></u>	<u><u>1,132,045</u></u>

The notes on pages 12 to 16 form an integral part of these financial statements.

These financial statements were approved by board of directors on 15 August 2017 and were signed on its behalf by:



G. Richardson
Director

Company registered no. 3002705

ING INTERMEDIATE HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £	Retained earnings £	AFS revaluation reserve £	Foreign currency translation reserve £	Total equity £
At 1 January 2015	10,000,000	(196,718)	(219,800)	31,765	9,615,247
Loss for the period	-	(671,237)	-	-	(671,237)
Other comprehensive income	-	-	219,800	(31,765)	188,035
Total comprehensive income	-	(671,237)	219,800	(31,765)	(483,202)
Statutory reduction of capital	(9,000,000)	9,000,000	-	-	-
Dividend paid	-	(8,000,000)	-	-	(8,000,000)
At 31 December 2015	1,000,000	132,045	-	-	1,132,045
Profit/(loss) for the period	-	5,369	-	-	5,369
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	5,369	-	-	5,369
At 31 December 2016	1,000,000	137,414	-	-	1,137,414

The notes on pages 12 to 16 form an integral part of these financial statements.

ING INTERMEDIATE HOLDINGS LIMITED

STATEMENT OF CASH FLOWS **FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 £	2015 £
Cash flows from operating activities			
Profit/(loss) before tax		5,369	(671,237)
Adjustment for:			
Loss on sale of AFS investment		-	1,318,585
Net cash from operating activities		<u>5,369</u>	<u>647,348</u>
Cash flows from investing activities			
Proceeds from AFS investment return of capital		-	684,022
Proceeds from sale of AFS investment		-	3,217,174
Other		-	1
Net cash from investing activities		<u>-</u>	<u>3,901,197</u>
Cash flows from financing activities			
Dividends paid.	10	-	(8,000,000)
Net cash from financing activities		<u>-</u>	<u>(8,000,000)</u>
Net increase/(decrease) in cash and cash equivalents for the year		5,369	(3,451,455)
Cash and cash equivalents as at 1 January		1,132,041	4,583,496
Cash and cash equivalents as at 31 December	8	<u><u>1,137,410</u></u>	<u><u>1,132,041</u></u>

The notes on pages 12 to 16 form an integral part of these financial statements.

ING INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

ING Intermediate Holdings Limited (the "Company") is a private company incorporated and domiciled in England in the United Kingdom. The registered number is 3002705 and the registered address is 8-10 Moorgate, London, EC2R 6DA, United Kingdom.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

a) Measurement convention

These financial statements are prepared on historical cost basis.

The principal activities of the company are to act as a holding company; the VAT registered entity for the UK operations of ING Bank N.V. and its subsidiary companies.

On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

b) Revenue recognition

Interest income is recognised on an accrual basis using the effective interest method.

Revenue is recognised when the company's right to receive the payment is established, which is generally when shareholders approve the dividend.

c) Taxation

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

d) Investments in group companies

The investments in group companies are stated at cost less impairment. If the directors have reason to believe that there has been an impairment of an investment, the loss is reflected in the income statement. The directors assess the net realisable value at each balance sheet date by reference to the net asset value of the investments.

In the opinion of the directors, the aggregate value of the subsidiary undertakings is not less than the aggregate amount at which the assets are included in the company's statement of financial position.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

ING INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (continued)

f) Standards issued with an expected impact but not yet effective

The standards issued with an expected impact to the company but not yet effective, up to the date of issuance of the company's financial statements is disclosed below. The company intends to adopt this standard, if still applicable, when it becomes effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 is expected to have an immaterial impact on the classification and measurement of the company's financial instruments.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment.

In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Company's Consolidated Financial Statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The adoption of IFRS 15 is expected to have an immaterial impact on the recognition and measurement of the company's revenue.

2. ADMINISTRATIVE EXPENSES

For the current and previous financial year, auditors' remuneration was borne by ING Bank N.V., London Branch and is disclosed in the consolidated financial statements of the ultimate parent undertaking.

3. AUDITORS' REMUNERATION

Fees payable for the audit for the year were £10,000. These fees were paid by ING Bank N.V., London branch.

4. STAFF COSTS AND DIRECTORS' EMOLUMENTS

The Directors received no emoluments in respect of their services to the Company (2015: nil). No employees are employed by the Company (2015: nil).

5. INTEREST INCOME

	2016 £	2015 £
Interest income from group companies	5,369	22,452

ING INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. TAXATION

	2016 £	2015 £
Current tax expense		
Current year	-	-
Adjustment for prior years	-	-
Current tax expense	-	-
Total tax reconciliation	2016 £	2015 £
Profit/(loss) for the year	5,369	(671,237)
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	1,074	(135,926)
Non deductible expenses	-	267,014
Group relief	(1,074)	(131,088)
Total tax expense	-	-

7. INVESTMENTS IN GROUP COMPANIES

	2016 £	2015 £
At cost		
At 1 January	4	5
Loss on decrease in value of investments	-	(1)
At 31 December	4	4

The company has the following investments in subsidiaries:

Name of company	Country of incorporation or registration	Holding	Proportion of voting rights and shares held	Nature of business
<i>Subsidiary undertaking</i>				
ING Services Limited	England & Wales	Ordinary Shares	100%	Employment Service Company
Guinea Limited	England & Wales	Ordinary Shares	100%	Investment Company
ING UK Pension Trustee Limited	England & Wales	Ordinary Shares	100%	Nominee Company

Shares in group undertakings, all of which are unlisted, are measured at cost less impairment.

ING INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash and cash equivalents	<u>1,137,410</u>	<u>1,132,041</u>

The bank account of the company is with ING Bank N.V., London Branch.

9. SHARE CAPITAL

	2016 £	2015 £
Authorised: Ordinary shares of £1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Allotted, issued and fully paid: Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

10. DIVIDEND PAID

	2016 £	2015 £
Ordinary dividend paid	<u>-</u>	<u>8,000,000</u>

11. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities as at 31 December 2016 (2015: £7,807,500).

12. CAPITAL MANAGEMENT

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006.

13. RELATED PARTY TRANSACTIONS

ING Bank N.V., London Branch is deemed to be a related party. The amounts due from ING Bank N.V., London Branch at the balance sheet date are disclosed in note 8.

14. POST BALANCE SHEET EVENTS

There were no post balance sheet events between 31 December 2016 and the signing date for the approval of the financial statements.

ING INTERMEDIATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. ULTIMATE HOLDING COMPANY

The company is a subsidiary undertaking of ~~ING Groep N.V.~~ which is the ultimate parent company incorporated in the Netherlands. ING Groep N.V. is the only undertaking preparing consolidated financial statements. Copies of the ultimate parent's consolidated financial statements may be obtained from:

The Secretary
ING Groep N.V.
Bijlmerplein 888
Amsterdam Zuidoost
1102 MG
Netherlands