



State Street Bank and Trust Company

68/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong

T +852 2840 5388
F +852 2868 1606

statestreet.com

State Street Bank & Trust Company
Financial Disclosure as of
December 31, 2016

As requested by the Hong Kong Monetary Authority, we are pleased to provide the following information with respect to the operations of our Hong Kong Branch and (where indicated) State Street Corporation on a consolidated basis :

Section A - Branch Information (Hong Kong Office only)

I. General

State Street Bank and Trust Company Hong Kong Branch

State Street began operations in Hong Kong in 1982. State Street Bank and Trust Company and its affiliates in Hong Kong (together "State Street Hong Kong") serve as our regional headquarters for the Asia-Pacific region.

Investment Servicing

To help our clients keep up with the sweeping changes taking place in the financial industry - both worldwide and in Hong Kong - State Street Hong Kong brings our clients an array of customized investment servicing solutions, including global custody and accounting, investment performance and analytics, investment operations outsourcing and investment compliance.

Investment Research and Trading

State Street Hong Kong provides specialized research, trading, securities lending and innovative portfolio strategies with the goal of enhancing and preserving the value of our clients' portfolio. We do this through proprietary portfolio and risk management technologies, trading optimization and global connectivity across multiple asset classes and markets.



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| | Year ended Dec 31, 2016 | Year ended Dec 31, 2015 |
|--|------------------------------------|------------------------------------|
| | <u>HK\$ Equivalent</u> | <u>HK\$ Equivalent</u> |
| | <u>(In Millions)</u> | <u>(In Millions)</u> |

II. Income Statement information

| | | |
|--|-----|-------|
| i. Interest income | 214 | 190 |
| ii. Interest expense | 66 | 74 |
| iii. Other operating income | | |
| - Gains less losses arising from trading in foreign currencies | 960 | 1,137 |
| - Gains less losses on securities held for trading purposes | - | - |
| - Gains less losses from other trading activities | - | - |
| - Fee income (Transfer Pricing) | 117 | 103 |
| - Others | 2 | 3 |
| iv. Operating expenses | | |
| - Staff expenses | 39 | 38 |
| - Other expenses | 201 | 165 |
| - Fee expense (Transfer Pricing) | 816 | 934 |
| v. Impairment losses and provisions for impaired loans and receivables | - | - |
| vi. Gains less losses from disposal of property, plant and equipment | - | - |
| vii. Profit before taxation | 171 | 222 |
| viii. Tax expense | 27 | 36 |
| ix. Profit after taxation | 144 | 186 |



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III. Balance Sheet information

Assets

| | | |
|--|---------|---------|
| i. Cash and balances with banks (except those included in amount due from overseas offices of the institution) | 6,770 | 22,401 |
| ii. Due from Exchange Fund | - | - |
| iii. Placements with banks which have a residual contractual maturity between one and twelve months | 48 | 138 |
| iv. Amount due from overseas offices of the institution | 135,807 | 96,679 |
| v. Trade bills | - | - |
| vi. Certificates of deposit held | - | - |
| vii. Securities held for trading purposes | - | - |
| viii. Loans and receivables (See additional information) | 2,508 | 2,909 |
| ix. Investment securities | 5,147 | 3,031 |
| x. Other investments | - | - |
| xi. Property, plant and equipment | 7 | 8 |
| xii. Total assets | 150,287 | 125,166 |

Liabilities

| | | |
|--|---------|---------|
| i. Deposits and balances from banks (except those included in amount due to overseas offices of the institution) | 5,423 | 6,184 |
| ii. Due to Exchange Fund | 775 | 63 |
| iii. Deposits from customers | | |
| - demand deposits and current accounts | - | - |
| - savings deposits | - | - |
| - time, call and notice deposits | 18,039 | 23,946 |
| iv. Amount due to overseas offices of the institution | 124,505 | 89,276 |
| v. Certificates of deposit issued | - | - |
| vi. Issued debt securities | - | - |
| vii. Other liabilities | 1,545 | 5,697 |
| viii. Provisions | - | - |
| ix. Total liabilities | 150,287 | 125,166 |



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| | As of Dec 31, 2016 | As of Jun 30, 2016 |
|--|-------------------------------|-------------------------------|
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| | (In Millions) | (In Millions) |
| IV. Additional balance sheet information (Note 1) | | |
| i. Loans and receivables | | |
| - Loans and advances to customers | 8 | 243 |
| - Loans and advances to banks | - | - |
| - Other accounts | 2,489 | 2,662 |
| - Provision for impaired loans and receivables | | |
| - Collective provisions | - | - |
| - Specific provisions | - | - |
| | <u>2,497</u> | <u>2,905</u> |
| | | |
| - Receivables | <u>11</u> | <u>4</u> |
| | | |
| ii. The breakdown of the gross amount of loans and advances to customers by sector | | |
| - Loans and advances for use in Hong Kong | | |
| - Financial concerns | - | 9 |
| - Loans and advances for use outside Hong Kong | 8 | 234 |
| | <u>8</u> | <u>243</u> |
| | | |
| iii. Analysis of gross loans and advances to customer by geographic area (Note 2) | | |
| - Hong Kong | - | 9 |
| - Taiwan | 6 | 175 |
| - South Korea | 1 | 55 |
| - Other | 1 | 4 |
| | <u>8</u> | <u>243</u> |

Notes

1. No rescheduled nor repossessed assets were held at both reporting dates. No loans and advances to customers, banks and other financial institutions were individually determined to be impaired. Loans and advances were not covered by collateral nor other security for both reporting dates. No loans and advances to customers and banks were overdue for more than three months at both reporting dates.
2. Classification of gross amount of loans and advances to customers by countries or geographical areas reported constitutes 10% or more of the relevant disclosure amount.



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iv. Analysis of non-bank Mainland China exposures

1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)

- On-balance sheet exposure
- Off-balance sheet exposure

| | |
|-----------|-----------|
| - | 1 |
| 10 | 24 |
| <u>10</u> | <u>25</u> |

2. Local governments, local government-owned entities and their subsidiaries and JVs

- On-balance sheet exposure
- Off-balance sheet exposure

| | |
|----------|----------|
| - | - |
| - | - |
| <u>-</u> | <u>-</u> |

3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs

- On-balance sheet exposure
- Off-balance sheet exposure

| | |
|----------|----------|
| - | - |
| - | - |
| <u>-</u> | <u>-</u> |

4. Other entities of central government not reported in item 1 above

- On-balance sheet exposure
- Off-balance sheet exposure

| | |
|----------|----------|
| - | - |
| - | - |
| <u>-</u> | <u>-</u> |

5. Other entities of local governments not reported in item 2 above

- On-balance sheet exposure
- Off-balance sheet exposure

| | |
|----------|----------|
| - | - |
| - | - |
| <u>-</u> | <u>-</u> |

6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China

- On-balance sheet exposure
- Off-balance sheet exposure

| | |
|----------|----------|
| - | - |
| - | - |
| <u>-</u> | <u>-</u> |

7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures

- On-balance sheet exposure
- Off-balance sheet exposure

| | |
|----------|----------|
| - | - |
| - | - |
| <u>-</u> | <u>-</u> |

Total

| | |
|----|----|
| 10 | 25 |
|----|----|

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| | <u>As of Dec 31, 2016</u> | <u>As of Jun 30, 2016</u> |
|--|---------------------------|---------------------------|
| | <u>HK\$ Equivalent</u> | <u>HK\$ Equivalent</u> |
| | <u>(In Millions)</u> | <u>(In Millions)</u> |
| Total assets after provision | 150,287 | 125,166 |
| On-balance sheet exposures as percentage of total assets | 0.00% | 0.00% |

- v. Analysis of other accounts included in loans and receivables by overdue period
- Overdue for six months or less but over three months
 - Overdue for one year or less but over six months
 - Overdue for over one year

| | |
|---|---|
| - | - |
| - | - |
| - | - |
| - | - |

- vi. International claims (the country or geographical segment is based on the return "International Banking Statistics" (MA(BS)21A) and the transfer of risks has been taken into account) (Note 3)

| | <u>Non-bank private sector</u> | | | | | | <u>Total</u> |
|--------------------------------------|--------------------------------|------------------------|--|-------------------------------------|---------------|--|--------------|
| | <u>Banks</u> | <u>Official Sector</u> | <u>Non-bank financial institutions</u> | <u>Non-financial private sector</u> | <u>Others</u> | | |
| <u>As of Dec 31, 2016</u> | | | | | | | |
| <u>HK\$ Equivalent (in Millions)</u> | | | | | | | |
| Developed countries | 149,914 | - | - | - | - | | 149,914 |
| - United States | 145,054 | - | - | - | - | | 145,054 |
| Offshore centres | 158 | 1 | 235 | 1 | - | | 395 |
| Developing Africa and Middle East | - | - | - | - | - | | - |
| Developing Asia-Pacific | 1,265 | 177 | 186 | - | - | | 1,628 |

Note

3. Amounts represent international claims based on countries or geographical segment (including Hong Kong) and total that constitutes 10% or more of the relevant disclosure amount.



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vi. International claims (the country or geographical segment is based on the return "International Banking Statistics" (MA(BS)21A) and the transfer of risks has been taken into account) (Note 3)

| <u>As of Jun 30, 2016</u> | <u>Banks</u> | <u>Non-bank private sector</u> | | | <u>Others</u> | <u>Total</u> |
|--------------------------------------|--------------|--------------------------------|--|-------------------------------------|---------------|--------------|
| | | <u>Official Sector</u> | <u>Non-bank financial institutions</u> | <u>Non-financial private sector</u> | | |
| <u>HK\$ Equivalent (in Millions)</u> | | | | | | |
| Developed countries | 115,149 | - | 21 | - | - | 115,170 |
| - United States | 104,508 | - | 2 | - | - | 104,510 |
| Offshore centres | 3,469 | 1 | 52 | - | - | 3,522 |
| Developing Africa and Middle East | - | - | 59 | - | - | 59 |
| Developing Asia-Pacific | 2,557 | 1,408 | 254 | - | - | 4,219 |

Note

3. Amounts represent international claims based on countries or geographical segment (including Hong Kong) and total that constitutes 10% or more of the relevant disclosure amount.

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vii. Foreign currency exposures (position of individual currency reported is the net position and constitutes 10% or more of the total net position in all foreign currencies.)

Currency : USD

| | | |
|-------------------------------|-----------|-----------|
| - Spot assets | 11,059 | 11,124 |
| - Spot liabilities | (6,431) | (8,716) |
| - Forward purchases | 765,851 | 697,863 |
| - Forward sales | (770,544) | (700,073) |
| - Net options position | - | - |
| - Net (short) / long position | (65) | 198 |

Currency : JPY

| | | |
|------------------------|-----------|-----------|
| - Spot assets | 121,587 | 86,370 |
| - Spot liabilities | (111,194) | (85,607) |
| - Forward purchases | 222,370 | 179,552 |
| - Forward sales | (232,646) | (180,315) |
| - Net options position | - | - |
| - Net long position | 117 | - |

Currency : CNY

| | | |
|-------------------------------|-----------|-----------|
| - Spot assets | 481 | 537 |
| - Spot liabilities | (425) | (734) |
| - Forward purchases | 119,687 | 106,001 |
| - Forward sales | (119,422) | (105,863) |
| - Net options position | - | - |
| - Net long / (short) position | 321 | (59) |

Currency : MYR

| | | |
|------------------------|---------|----------|
| - Spot assets | 993 | 1,832 |
| - Spot liabilities | (810) | (745) |
| - Forward purchases | 5,450 | 18,917 |
| - Forward sales | (5,745) | (20,054) |
| - Net options position | - | - |
| - Net short position | (112) | (50) |

There were no option trading in respect of the reporting periods.

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V. Off-balance sheet exposures

i. The contractual or notional amounts of each of the following class of off-balance sheet exposures outstanding :

Contingent liabilities and commitments

| | | |
|---|---|-------|
| - Direct credit substitutes | - | - |
| - Transaction-related contingencies | - | - |
| - Trade-related contingencies | - | - |
| - Note issuance and revolving underwriting facilities | - | - |
| - Other commitments | - | - |
| - Others (including forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed, asset sales with recourse or other transactions with recourse) | - | 1,636 |

Derivative transactions

| | | |
|--|-----------|-----------|
| - Exchange rate-related derivative contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements) | 1,584,595 | 1,500,433 |
| - Interest rate derivative contracts | - | - |
| - Others | - | - |

ii. The total fair value of the above derivative transactions

| | | |
|--|-----|-------|
| - Exchange rate-related derivative contracts | 318 | (537) |
| - Interest rate derivative contracts | - | - |

No bilateral netting arrangements for above derivative transactions.



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| | <u>Year ended</u> <u>Dec 31, 2016</u> | <u>Year ended</u> <u>Dec 31, 2015</u> |
|--|--|--|
| VI. Liquidity | | |
| The average liquidity maintenance ratio ("LMR") for the financial period | 64.20% | 69.98% |

The average liquidity maintenance ratio is the simple average of each calendar month's average LMR as reported in Part 3(II)D of the 'Return of Liquidity Position of an Authorized Institution' submitted pursuant to section 63 of the Banking Ordinance.

Liquidity Risk Management Approach

State Street Bank and Trust Co. ("SSBTC") manages liquidity in a global context in which liquidity risk controls and measures are managed, supervised, and integrated on a global basis. While branches and some banking subsidiaries are an important source of stable funding, such entities may also rely on liquidity from SSBTC to support a special liquidity need or a crisis that may impact local operations. SSBTC's centralized approach to liquidity management assures that ample liquidity is available to fund its branches and certain wholly-owned subsidiaries during times of stress.

The Hong Kong Branch of State Street Bank & Trust Co. ("the Branch") manages liquidity risk in accordance with all applicable local regulatory requirements. The Branch recognizes that liquidity risk associated with the balance sheet activities is comprised of two components :

Funding Liquidity Risk -

The potential that the Branch will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding.

Market Liquidity Risk -

The potential that the Branch cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruption. To mitigate these risks, the Branch employs conservative liquidity risk measures and business practices. The Branch measures and monitors liquidity conditions from a structural, tactical and contingency perspective, primarily through the composition of its balance sheet.

The Branch addresses and manages liquidity risks created from funding and market crisis by building sufficient liquidity buffers achieved through the global internal risk management practices.

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Liquidity Risk Management Approach (continued)

The liquidity risk at the Branch, like SSBTC as a whole, stems from the possibility of a large-scale deposit loss, increases in client funding requirements, and the loss of wholesale funding availability. These balance sheet risks are monitored daily on a global level, incorporating the Hong Kong branch balance sheet. Additionally, market perception is monitored daily by SSBTC in both the equity and debt markets. These measures are part of SSBTC's global liquidity and market related liquidity risk limits, early warning indicators, guidelines and measures. Furthermore, SSBTC runs monthly stress tests based on various crisis scenarios which stress the balance sheet and SSBTC's ability to access wholesale funding. As a part of SSBTC, the Branch's balance sheet is incorporated into the assumptions used in these scenarios.

Intraday liquidity is monitored and managed throughout the day by Global Cash Operations and the Branch's Global Treasury trading desk. The Branch employs a primary and secondary nostro bank to clear customer trades in addition to some self-cleared HKD.

In the event that the Branch's intraday liquidity is strained and the interbank facility limits have been reached, the Branch's Global Treasury trading desk will notify and consult with the APAC Liquidity Risk Manager, the Branch Manager, and with SSBTC Head of Global Liquidity Risk Management in Boston for resolution.

SSBTC's Liquidity Risk Guidelines and Contingency Funding Plan presume that its on-book currencies are convertible so that the surplus liquidity in one currency may be used to meet a shortfall in another currency (except when liquidity is trapped for regulatory or other reasons). Although the convertibility of currencies has historically been very reliable, access to funding may be restricted by disruptions in the foreign exchange markets and settlement systems.

On an annual basis, the Branch will demonstrate its ability to access an amount of wholesale funding equal to or greater than 10% of branch liquid assets.

VII. Disclosure on Remuneration

Pursuant to section 3 of Supervisory Policy Manual (CG-5) 'Guideline on a Sound Remuneration System' issued by the Hong Kong Monetary Authority, State Street Bank and Trust Company, Hong Kong Branch has adopted the remuneration systems of State Street Corporation with disclosures included in annual Proxy Statements of State Street Corporation, which is available from the link below :

<http://investors.statestreet.com/Cache/1500083427.PDF?O=PDF&T=&Y=&D=&FID=1500083427&iid=100447>



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|------------------------|------------------------|------------------------|
| <u>HK\$ Equivalent</u> | <u>HK\$ Equivalent</u> | <u>HK\$ Equivalent</u> |
| <u>(In Millions)</u> | <u>(In Millions)</u> | <u>(In Millions)</u> |

Section B - State Street Corporation Information (consolidated basis)

I. Capital and Capital Adequacy (In accordance with the Basel Capital Accord)

| | | | |
|---|---------|---------|---------|
| i. Tier 1 capital | 14.80% | 15.00% | 15.30% |
| ii. Total capital | 16.00% | 17.10% | 17.40% |
| iii. Leverage ratio | 6.50% | 7.00% | 6.90% |
| iv. Tier 1 capital | 114,135 | 121,407 | 118,305 |
| v. Total capital | 123,379 | 138,110 | 134,465 |
| vi. Total amount of shareholders' funds | 164,560 | 171,322 | 163,561 |

II. Other Financial Information

| | | | |
|-------------------------------|-----------|-----------|-----------|
| i. Total assets | 1,882,201 | 1,982,203 | 1,900,383 |
| ii. Total liabilities | 1,717,641 | 1,810,641 | 1,736,574 |
| iii. Total loans and advances | 146,281 | 147,175 | 138,255 |
| iv. Total deposits * * | 1,451,509 | 1,498,997 | 1,485,222 |

| <u>Year ended</u> | <u>Six months ended</u> | <u>Year ended</u> |
|------------------------|-------------------------|------------------------|
| <u>Dec 31, 2016</u> | <u>Jun 30, 2016</u> | <u>Dec 31, 2015</u> |
| <u>HK\$ Equivalent</u> | <u>HK\$ Equivalent</u> | <u>HK\$ Equivalent</u> |
| <u>(In Millions)</u> | <u>(In Millions)</u> | <u>(In Millions)</u> |

| | | | |
|-----------------------------|--------|-------|--------|
| v. Income before income tax | 16,441 | 8,840 | 17,811 |
|-----------------------------|--------|-------|--------|

* * Total customer deposit balances were not available in the consolidated financial statements. Disclosure is made pursuant to subsection (2) under section 106 of the Banking (Disclosure) Rules.

DECLARATION OF COMPLIANCE

I confirm that the information disclosed in our statement fully complies with the Banking (Disclosure) Rules and Supervisory Policy Manual "Guideline on the Application of the Banking (Disclosure) Rules".

Syed Asim Hasan
 Chief Executive of
 State Street Bank & Trust Company, Hong Kong Branch
 March 31, 2017

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