



State Street Bank and Trust Company

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**State Street Bank & Trust Company**  
**Financial Disclosure as of**  
**December 31, 2017**

**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 Global Markets Hong Kong provides specialized research, foreign exchange trading and securities lending.



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	<b>Year ended Dec 31, 2017</b>	<b>Year ended Dec 31, 2016</b>
	<b><u>HK\$ Equivalent</u></b>	<b><u>HK\$ Equivalent</u></b>
	<b><u>(In Millions)</u></b>	<b><u>(In Millions)</u></b>
<b>II. Income Statement information</b>		
i. Interest income	235	214
ii. Interest expense	74	66
iii. Other operating income		
- Gains less losses arising from trading in foreign currencies	867	960
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Fee income (Transfer Pricing)	162	117
- Others	3	2
iv. Operating expenses		
- Staff expenses	40	39
- Other expenses	172	201
- Fee expense (Transfer Pricing)	856	816
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	125	171
viii. Tax expense	20	27
ix. Profit after taxation	105	144



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	<b><u>(In Millions)</u></b>	<b><u>(In Millions)</u></b>
<b>III. Balance Sheet information</b>		
<b>Assets</b>		
i. Cash and balances with banks (except those included in amount due from overseas offices of the institution)	8,701	10,948
ii. Due from Exchange Fund	-	-
iii. Placements with banks which have a residual contractual maturity between one and twelve months	-	22
iv. Amount due from overseas offices of the institution	119,596	91,100
v. Trade bills	-	-
vi. Certificates of deposit held	-	-
vii. Securities held for trading purposes	-	-
viii. Loans and receivables (See additional information)	1,247	5,562
ix. Investment securities	5,210	4,808
x. Other investments	-	-
xi. Property, plant and equipment	2	4
xii. Total assets	134,756	112,444
<b>Liabilities</b>		
i. Deposits and balances from banks (except those included in amount due to overseas offices of the institution)	4,780	8,921
ii. Due to Exchange Fund	169	394
iii. Deposits from customers		
- demand deposits and current accounts	-	-
- savings deposits	-	-
- time, call and notice deposits	16,340	15,212
iv. Amount due to overseas offices of the institution	112,594	83,387
v. Certificates of deposit issued	-	-
vi. Issued debt securities	-	-
vii. Other liabilities	873	4,530
viii. Provisions	-	-
ix. Total liabilities	134,756	112,444



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<b>IV. Additional balance sheet information (Note 1)</b>		
i. Loans and receivables		
- Loans and advances to customers	6	88
- Loans and advances to banks	-	-
- Other accounts	1,232	5,469
- Provision for impaired loans and receivables		
- Collective provisions	-	-
- Specific provisions	-	-
	<u>1,238</u>	<u>5,557</u>
- Receivables	<u>9</u>	<u>5</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	-	3
- Loans and advances for use outside Hong Kong	6	85
	<u>6</u>	<u>88</u>
iii. Analysis of gross loans and advances to customer by geographic area (Note 2)		
- Hong Kong	-	3
- Japan	1	78
- South Korea	2	3
- Taiwan	3	-
- Other	-	4
	<u>6</u>	<u>88</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	-	4
- Off-balance sheet exposure	32	235
	<u>32</u>	<u>239</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>
<b>Total</b>	<u><u>32</u></u>	<u><u>239</u></u>



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	<u>As of Dec 31, 2017</u> <u>HK\$ Equivalent</u> <u>(In Millions)</u>	<u>As of Jun 30, 2017</u> <u>HK\$ Equivalent</u> <u>(In Millions)</u>
Total assets after provision	134,756	112,444
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>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>As of Dec 31, 2017</u>						
<u>HK\$ Equivalent (in Millions)</u>						
Developed countries	128,525	-	54	-	-	128,579
- United States	122,064	-	-	-	-	122,064
Offshore centres	339	3	93	1	-	436
Developing Africa and Middle East	-	-	61	-	-	61
Developing Asia-Pacific	2,298	530	35	-	-	2,863

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, 2017</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	104,399	-	111	-	-	104,510
- United States	97,261	-	-	-	-	97,261
Offshore centres	917	-	36	1	-	954
Developing Africa and Middle East	-	-	539	-	-	539
Developing Asia-Pacific	1,093	6	241	-	-	1,340

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	3,570	7,995
- Spot liabilities	(4,475)	(2,709)
- Forward purchases	879,844	681,763
- Forward sales	(879,425)	(686,785)
- Net options position	-	-
- Net (short) / long position	<u>(486)</u>	<u>264</u>
Currency : JPY		
- Spot assets	102,051	81,381
- Spot liabilities	(101,104)	(80,404)
- Forward purchases	252,626	145,518
- Forward sales	(253,500)	(146,479)
- Net options position	-	-
- Net long position	<u>73</u>	<u>16</u>
Currency : EUR		
- Spot assets	6,684	5,343
- Spot liabilities	(6,754)	(5,574)
- Forward purchases	95,648	99,631
- Forward sales	(95,479)	(99,248)
- Net options position	-	-
- Net long position	<u>99</u>	<u>152</u>
Currency : CNY		
- Spot assets	504	1,357
- Spot liabilities	(1,667)	(2,291)
- Forward purchases	102,386	127,463
- Forward sales	(101,172)	(126,437)
- Net options position	-	-
- Net long position	<u>51</u>	<u>92</u>





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<b>Currency : IDR</b>		
- Spot assets	82	215
- Spot liabilities	(677)	(1,009)
- Forward purchases	7,233	6,588
- Forward sales	(6,668)	(5,801)
- Net options position	-	-
- Net short position	<u>(30)</u>	<u>(7)</u>
<b>Currency : MYR</b>		
- Spot assets	2,212	432
- Spot liabilities	(1,154)	(885)
- Forward purchases	4,497	5,245
- Forward sales	(5,591)	(4,752)
- Net options position	-	-
- Net (short) / long position	<u>(36)</u>	<u>40</u>
<b>Currency : THB</b>		
- Spot assets	353	21
- Spot liabilities	(398)	(280)
- Forward purchases	5,868	5,535
- Forward sales	(5,864)	(5,262)
- Net options position	-	-
- Net (short) / long position	<u>(41)</u>	<u>14</u>
<b>Currency : TWD</b>		
- Spot assets	-	-
- Spot liabilities	-	-
- Forward purchases	45,892	36,172
- Forward sales	(45,804)	(36,553)
- Net options position	-	-
- Net long / (short) position	<u>88</u>	<u>(381)</u>

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



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**(In Millions)**      **(In Millions)**

**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)	-	500

Derivative transactions

- Exchange rate-related derivative contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	1,853,344	1,481,306
- Interest rate derivative contracts	-	500
- Others	-	-

ii. The total fair value of the above derivative transactions

- Exchange rate-related derivative contracts	(130)	(157)
- Interest rate derivative contracts	-	-

No bilateral netting arrangements for above derivative transactions.



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	<u><b>Year ended</b></u> <u><b>Dec 31, 2017</b></u>	<u><b>Year ended</b></u> <u><b>Dec 31, 2016</b></u>
<b>VI. Liquidity</b>		
The average liquidity maintenance ratio ("LMR") for the financial period	65.81%	64.20%

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/1500098074.PDF?O=PDF&T=&Y=&D=&FID=1500098074&iid=100447>



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<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	15.50%	15.10%	14.80%
ii. Total capital	16.50%	16.20%	16.00%
iii. Leverage ratio	7.30%	7.00%	6.50%
iv. Tier 1 capital	129,203	118,387	114,135
v. Total capital	136,886	126,802	123,379
vi. Total amount of shareholders' funds	174,425	172,276	164,560

**II. Other Financial Information**

i. Total assets	1,863,477	1,860,106	1,882,201
ii. Total liabilities	1,689,052	1,687,831	1,717,641
iii. Total loans and advances	176,457	183,822	146,281
iv. Total deposits **	1,445,106	1,416,239	1,451,509

<u>Year ended</u>	<u>Six months ended</u>	<u>Year ended</u>
<u>Dec 31, 2017</u>	<u>Jun 30, 2017</u>	<u>Dec 31, 2016</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	22,658	10,617	16,441
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\*\* 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 28, 2018