



State Street Bank and Trust Company

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State Street Bank & Trust Company
Financial Disclosure as of
June 30, 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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	Six months ended Jun 30, 2016	Six months ended Jun 30, 2015
	<u>HK\$ Equivalent</u>	<u>HK\$ Equivalent</u>
	<u>(In Millions)</u>	<u>(In Millions)</u>

II. Income Statement information

i. Interest income	106	82
ii. Interest expense	36	34
iii. Other operating income		
- Gains less losses arising from trading in foreign currencies	490	570
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Fee income (Transfer Pricing)	63	59
- Others	-	2
iv. Operating expenses		
- Staff expenses	16	23
- Other expenses	96	82
- Fee expense (Transfer Pricing)	400	465
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	111	109
viii. Tax expense	17	18
ix. Profit after taxation	94	91



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	<u>HK\$ Equivalent</u>	<u>HK\$ Equivalent</u>
	<u>(In Millions)</u>	<u>(In Millions)</u>
III. Balance Sheet information		
Assets		
i. Cash and balances with banks (except those included in amount due from overseas offices of the institution)	22,401	17,537
ii. Due from Exchange Fund	-	-
iii. Placements with banks which have a residual contractual maturity between one and twelve months	138	-
iv. Amount due from overseas offices of the institution	96,679	125,762
v. Trade bills	-	-
vi. Certificates of deposit held	-	-
vii. Securities held for trading purposes	-	-
viii. Loans and receivables (See additional information)	2,909	1,601
ix. Investment securities	3,031	1
x. Other investments	-	-
xi. Property, plant and equipment	8	12
xii. Total assets	125,166	144,913
Liabilities		
i. Deposits and balances from banks (except those included in amount due to overseas offices of the institution)	6,184	6,541
ii. Due to Exchange Fund	63	79
iii. Deposits from customers		
- demand deposits and current accounts	-	-
- savings deposits	-	-
- time, call and notice deposits	23,946	21,575
iv. Amount due to overseas offices of the institution	89,276	114,234
v. Certificates of deposit issued	-	-
vi. Issued debt securities	-	-
vii. Other liabilities	5,697	2,484
viii. Provisions	-	-
ix. Total liabilities	125,166	144,913



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IV. Additional balance sheet information (Note 1)		
i. Loans and receivables		
- Loans and advances to customers	243	234
- Loans and advances to banks	-	-
- Other accounts	2,662	1,364
- Provision for impaired loans and receivables		
- Collective provisions	-	-
- Specific provisions	-	-
	<u>2,905</u>	<u>1,598</u>
- Receivables	<u>4</u>	<u>3</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	234	234
	<u>243</u>	<u>234</u>
iii. Analysis of gross loans and advances to customer by geographic area (Note 2)		
- Hong Kong	9	-
- Taiwan	175	-
- South Korea	55	234
- Other	4	-
	<u>243</u>	<u>234</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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As of Jun 30, 2016 **As of Dec 31, 2015**
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(In Millions) **(In Millions)**

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	1	-
- Off-balance sheet exposure	24	-
	<u>25</u>	<u>-</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	<u><u>25</u></u>	<u><u>-</u></u>



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	<u>As of Jun 30, 2016</u> <u>HK\$ Equivalent</u> <u>(In Millions)</u>	<u>As of Dec 31, 2015</u> <u>HK\$ Equivalent</u> <u>(In Millions)</u>
Total assets after provision	125,166	144,913
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>Official</u> <u>Sector</u>	<u>Non-bank private sector</u>		<u>Others</u>	<u>Total</u>
			<u>Non-bank</u> <u>financial</u> <u>institutions</u>	<u>Non-financial</u> <u>private sector</u>		
<u>As of Jun 30, 2016</u>						
<u>HK\$ Equivalent (in Millions)</u>						
Developed countries	113,446	-	21	-	-	113,467
- United States	102,805	-	2	-	-	102,807
Offshore centres	3,468	1	51	-	-	3,520
Developing Africa and Middle East	-	-	59	-	-	59
Developing Asia-Pacific	2,557	1,408	254	-	-	4,219
Unallocated	1,704	-	1	-	-	1,705

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>Banks</u>	<u>Official Sector</u>	<u>Non-bank private sector</u>		<u>Others</u>	<u>Total</u>
			<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>		
<u>As of Dec 31, 2015</u>						
<u>HK\$ Equivalent (in Millions)</u>						
Developed countries	131,691	-	29	-	-	131,720
- United States	128,049	-	1	-	-	128,050
Offshore centres	3,280	-	47	18	-	3,345
Developing Africa and Middle East	-	-	57	-	-	57
Developing Asia-Pacific	2,590	44	397	-	-	3,031
Unallocated	712	-	1	1	-	714

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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As of Jun 30, 2016 **As of Dec 31, 2015**
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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	11,124	6,614
- Spot liabilities	(8,716)	(15,351)
- Forward purchases	697,863	621,067
- Forward sales	(700,073)	(613,070)
- Net options position	-	(128)
- Net long / (short) position	<u>198</u>	<u>(868)</u>

Currency : EUR

- Spot assets	3,773	3,880
- Spot liabilities	(4,108)	(3,774)
- Forward purchases	74,937	59,503
- Forward sales	(74,561)	(59,614)
- Net options position	-	-
- Net long / (short) position	<u>41</u>	<u>(5)</u>

Currency : CNY

- Spot assets	537	674
- Spot liabilities	(734)	(479)
- Forward purchases	106,001	96,865
- Forward sales	(105,863)	(96,916)
- Net options position	-	-
- Net (short) / long position	<u>(59)</u>	<u>144</u>

Currency : AUD

- Spot assets	24	11
- Spot liabilities	(2,429)	(2,593)
- Forward purchases	131,937	107,117
- Forward sales	(129,618)	(104,759)
- Net options position	-	209
- Net short position	<u>(86)</u>	<u>(15)</u>



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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 : KRW

- Spot assets	-	-
- Spot liabilities	-	-
- Forward purchases	100,205	85,300
- Forward sales	(100,285)	(85,303)
- Net options position	-	-
- Net short position	<u>(80)</u>	<u>(3)</u>

Currency : MYR

- Spot assets	1,832	2,633
- Spot liabilities	(745)	(800)
- Forward purchases	18,917	7,514
- Forward sales	(20,054)	(9,338)
- Net options position	-	-
- Net (short) / long position	<u>(50)</u>	<u>9</u>

The net options positions were calculated based on the delta-weighted position of the options contracts.



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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)	1,500,433	1,322,069
- Interest rate derivative contracts	-	-
- Others	-	-

ii. The total fair value of the above derivative transactions

- Exchange rate-related derivative contracts	(537)	(138)
- Interest rate derivative contracts	-	-

No bilateral netting arrangements for above derivative transactions.



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Six months ended **Six months ended**
Jun 30, 2016 **Jun 30, 2015**

VI. Liquidity

The average liquidity maintenance ratio ("LMR") for the financial period	60.85%	69.16%
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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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As of Jun 30, 2016 As of Dec 31, 2015 As of Jun 30, 2015
HK\$ Equivalent HK\$ Equivalent HK\$ Equivalent
(In Millions) (In Millions) (In Millions)

Section B - State Street Corporation Information (consolidated basis)

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

i. Tier 1 capital	15.00%	15.30%	14.90%
ii. Total capital	17.10%	17.40%	16.90%
iii. Leverage ratio	7.00%	6.90%	6.00%
iv. Tier 1 capital	121,407	118,305	120,584
v. Total capital	138,110	134,465	137,275
vi. Total amount of shareholders' funds	171,322	163,561	166,671

II. Other Financial Information

i. Total assets	1,982,203	1,900,383	2,283,553
ii. Total liabilities	1,810,641	1,736,574	2,116,882
iii. Total loans and advances	147,175	138,255	136,569
iv. Total deposits * *	1,498,997	1,485,222	1,787,571

Six months ended	Year ended	Six months ended
Jun 30, 2016	Dec 31, 2015	Jun 30, 2015
<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	8,840	17,811	7,613
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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

September 29, 2016