STATE STREET CORPORATION

SUPPLEMENTAL PUBLIC DISCLOSURE
BASEL III REGULATORY CAPITAL

AS OF JUNE 30, 2017

ACRONYMS

Advanced approaches[1]	The advanced internal ratings-based approach to calculating risk-based capital requirements for credit risk and the advanced measurement approach to calculating risk-based capital requirements for operational risk under the Basel III final rule	**FSB**	Financial Stability Board
Advanced approaches banking organization[1]	A banking organization subject to the advanced approaches requirements of the Basel III final rule	**FX**	Foreign Exchange
AFS	Available for Sale	**GAAP**	Accounting principles generally accepted in the U.S.
AIRB[1]	Advanced Internal Ratings-Based Approach	**GCR**	Global Credit Review group
ALCO	Asset-Liability Committee	**G-SIB**	Global Systemically Important Bank
ALLL	Allowance for loan and lease losses	**LDA**	Loss Distribution Approach
AMA[1]	Advanced Measurement Approach	**LEDR**	Loss Event Data Repository
AOCI	Accumulated Other Comprehensive Income	**LGD**[1]	Loss Given Default
AUCA	Assets under custody and administration	**MRAC**	Management Risk and Capital Committee
AUM	Assets under management	**MRC**	Model Risk Committee
BCBS	Basel Committee on Banking Supervision	**MVG**	Model Validation Group
BCRC	Business Conduct Risk Committee	**NII**	Net interest income
Board	Board of Directors of State Street Corporation	**ORM**	Operational Risk Management group
BOC	Basel Oversight Committee	**OTC derivative**	Over-the-counter derivative contract
BOLI	Bank-Owned Life Insurance	**OTTI**	Other-than-temporary-impairment
CAP	Capital Adequacy Process	**Parent company**	State Street Corporation without consolidation of its subsidiaries
CCAR	Comprehensive Capital Analysis and Review	**PCA provisions**	Prompt Corrective Action provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991, as updated by the Basel III Final Rule
CCF[1]	Credit Conversion Factor	**PD**[1]	Probability of Default
CEO	Chief Executive Officer	**PUA**	Purchase undertaking agreement
CFO	Chief Financial Officer	**RC**	Risk Committee of the Board
CIS	Corporate Information Security	**RCSA**	Risk and Control Self-Assessment program
COSO framework	Committee of Sponsoring Organizations of the Treadway Commission framework	**RWA**[1]	Risk-Weighted Assets
CRO	Chief Risk Officer	**SLR**[1]	Supplementary Leverage Ratio
CRPC	Credit Risk & Policy Committee	**SOX**	Sarbanes-Oxley Act of 2002
CVA	Credit Valuation Adjustment	**SRWA**[1]	Simple Risk-Weight Approach
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act	**SSFA**[1]	Simplified Supervisory Formula Approach in the Basel III final rule
E&A Committee	Examining & Audit Committee of the Board	**State Street**	State Street Corporation and its subsidiaries on a consolidated basis
EAD[1]	Exposure at Default	**State Street Bank**	State Street Bank and Trust Company and its subsidiaries on a consolidated basis
ECC Committee	Executive Compensation Committee	**Stressed VaR**	Stressed Value-at-Risk
ERM	Enterprise Risk Management Department at State Street	**TMRC**	Trading and Market Risk Committee
EVE	Economic Value of Equity	**TORC**	Technology and Operational Risk Committee
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991	**UOM**	Unit of Measure
Federal Reserve	Board of Governors of the Federal Reserve System	**VaR**	Value-at-Risk

[1] As defined by the applicable U.S. regulations.

STATE STREET CORPORATION
SUPPLEMENTAL PUBLIC DISCLOSURE
BASEL III REGULATORY CAPITAL
AS OF JUNE 30, 2017

TABLE OF CONTENTS

STATE STREET CORPORATION
SUPPLEMENTAL PUBLIC DISCLOSURE
BASEL III REGULATORY CAPITAL
AS OF JUNE 30, 2017

INDEX OF TABLES

Basel III Disclosure Map

The table below highlights where sections of this disclosure can be referenced to in State Street's December 31, 2016 Pillar 3 disclosure and 2016 Form 10-K.

Section	Description	December 31, 2016 Pillar 3 Page Reference	2016 Form 10-K Page Reference
General	Overview	6-7	6-7
	Forward-Looking Statements	7-9	17-19
Regulation and Supervision	Overview	10	5
	Restrictions	10-11	49-50
Regulatory Capital	Overview	13	109
	Components of Regulatory Capital	14	111
	Supplementary Leverage Ratio	15	117
	Regulatory Capital Instruments	17-20	118-119
Risk Management	Overview	22-27	80-85
Credit Risk	Core Policies and Principles	28-29	85-86
	Impairment Analysis and ALLL	36-38	77-79
Operational Risk	Overview	53-56	95-98
Market Risk	Overview	56-58	98-100
	Value-at-Risk, Stressed Value-at-Risk and Stress Testing	59-62	101-104
Interest-Rate Risk for Non-Trading Activities	Asset-and-Liability Management Activities	62-63	104-105
	Net Interest Income and Economic Value of Equity	63	105

GENERAL

State Street Corporation, referred to as the Parent Company, is a financial holding company organized in 1969 under the laws of the Commonwealth of Massachusetts. For purposes of this Disclosure, unless the context requires otherwise, references to “State Street,” “we,” “us,” “our” or similar terms mean State Street Corporation and its subsidiaries on a consolidated basis. The parent company is a source of financial and managerial strength to our subsidiaries. Through our subsidiaries, including our principal banking subsidiary, State Street Bank and Trust Company, referred to as State Street Bank, we provide a broad range of financial products and services to institutional investors worldwide. We operate in more than 100 geographic markets worldwide, including in the U.S., Canada, Europe, the Middle East and Asia.

The Disclosure provided herein is required by the Basel III regulatory capital rules issued by the Board of Governors of the Federal Reserve System, referred to as the Federal Reserve, in 2013, which we refer to as the Basel III final rule. The Disclosure provides qualitative and quantitative information about regulatory capital, calculated in conformity with the "advanced approaches" provisions of the Basel III final rule, for State Street and, where applicable, State Street Bank as of June 30, 2017. Beginning with March 31, 2015, State Street also includes a supplementary leverage ratio disclosure within this Disclosure.

We expect to update this Disclosure on a quarterly basis and make it available on the "Investor Relations" section of our corporate website, *www.statestreet.com*. The information presented in this Disclosure may not be consistent with GAAP, and may differ, in presentation, form or otherwise, from similar information, or disclosures on similar topics, provided in our SEC filings. In addition, the information provided in this Disclosure may also differ from, and may not be comparable to, similar disclosures made by other banking organizations. The information provided in this Disclosure is not required to be, and has not been, audited by our independent registered public accounting firm.

The regulatory capital ratios as of June 30, 2017 presented in this Disclosure were calculated in conformity with the advanced approaches provisions of the Basel III final rule as well as the final rules implementing the supplementary leverage ratio. These ratios reflect calculations and determinations with respect to our capital and related matters as of June 30, 2017, based on State Street and external data, quantitative formulae, statistical models, historical correlations and assumptions, collectively referred to as “advanced systems,” in effect and used by State Street for those purposes as of the time we made this Disclosure available on our corporate website. Significant components of these advanced systems involve the exercise of judgment by us and our regulators, and our advanced systems may not accurately represent or calculate the scenarios, circumstances, outputs or other results for which they are designed or intended.

Due to the influence of changes in these advanced systems, whether resulting from changes in data inputs, regulation or regulatory supervision or interpretation, State Street-specific or market activities or experiences or other updates or factors, we expect that our advanced systems and our capital ratios calculated in conformity with the Basel III final rule will change and may be volatile over time, and that those latter changes or volatility could be material as calculated and measured from period to period.

Models implemented under the Basel III final rule, particularly those implementing the advanced approaches, remain subject to regulatory review and approval. The full effects of the Basel III final rule on State Street and State Street Bank are therefore subject to further evaluation and also to further regulatory guidance, action or rule-making.

We use acronyms and other defined terms for certain business terms and abbreviations which are defined in the glossary of this disclosure.

The Disclosures provided within this document should be read in conjunction with our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016, which can also be found on our corporate website at *www.statestreet.com*.

FORWARD-LOOKING STATEMENTS

This Disclosure, as well as other reports and proxy materials submitted by us under the Securities Exchange Act of 1934, registration statements filed by us under the Securities Act of 1933, our annual report to shareholders and other public statements we may make, may contain statements (including statements in the Management's Discussion and Analysis included in such reports, as applicable) that are considered “forward-looking statements” within the meaning of U.S. securities laws, including statements about our goals and expectations regarding our business, financial and capital condition, results of operations, strategies, financial portfolio performance, dividend and stock purchase programs, outcomes of legal proceedings, market growth, acquisitions, joint ventures and divestitures, cost savings and transformation initiatives, client growth and new technologies, services and opportunities, as well as industry, regulatory, economic and market trends, initiatives and developments, the business environment and other matters that do not relate strictly to historical facts.

Terminology such as “plan,” “expect,” “intend,” “objective,” “forecast,” “outlook,” “believe,” “priority,” “anticipate,” “estimate,” “seek,” “may,” “will,” “trend,” “target,” “strategy” and “goal,” or similar statements or variations of such terms, are intended to identify forward-looking statements, although not all forward-looking statements contain such terms.

Forward-looking statements are subject to various risks and uncertainties, which change over time, are based on management's expectations and assumptions at the time the statements are made, and are not guarantees of future results. Management's expectations and assumptions, and the continued validity of the forward-looking statements, are subject to change due to a broad range of factors affecting the national and global economies, regulatory environment and the equity, debt, currency and other financial markets, as well as factors specific to State Street and its subsidiaries, including State Street Bank. Factors that could cause changes in the expectations or assumptions on which forward-looking statements are based cannot be foreseen with certainty and include, but are not limited to:

- the financial strength and continuing viability of the counterparties with which we or our clients do business and to which we have investment, credit or financial exposure, including, for example, the direct and indirect effects on counterparties of the sovereign-debt risks in the U.S., Europe and other regions;
- increases in the volatility of, or declines in the level of, our NII, changes in the composition or valuation of the assets recorded in our consolidated statement of condition (and our ability to measure the fair value of investment securities) and the possibility that we may change the manner in which we fund those assets;
- the liquidity of the U.S. and international securities markets, particularly the markets for fixed-income securities and inter-bank credits, and the liquidity requirements of our clients;
- the level and volatility of interest rates, the valuation of the U.S. dollar relative to other currencies in which we record revenue or accrue expenses and the performance and volatility of securities, credit, currency and other markets in the U.S. and internationally; and the impact of monetary and fiscal policy in the United States and internationally on prevailing rates of interest and currency exchange rates in the markets in which we provide services to our clients;
- the credit quality, credit-agency ratings and fair values of the securities in our investment securities portfolio, a deterioration or downgrade of which could lead to other-than-temporary impairment of the respective securities and the recognition of an impairment loss in our consolidated statement of income;
- our ability to attract deposits and other low-cost, short-term funding, our ability to manage levels of such deposits and the relative portion of our deposits that are determined to be operational under regulatory guidelines and our ability to deploy deposits in a profitable manner consistent with our liquidity needs, regulatory requirements and risk profile;
- the manner and timing with which the Federal Reserve and other U.S. and foreign regulators implement or reevaluate changes to the regulatory framework applicable to our operations, including implementation or modification of the Dodd-Frank Act, the Basel III final rule and European legislation (such as the Alternative Investment Fund Managers Directive, Undertakings for Collective Investment in Transferable Securities Directives and Markets in Financial Instruments Directive II); among other consequences, these regulatory changes impact the levels of regulatory capital we must maintain, acceptable levels of credit exposure to third parties, margin requirements applicable to derivatives, and restrictions on banking and financial activities. In addition, our regulatory posture and related expenses have been and will continue to be affected by changes in regulatory expectations for global systemically important financial institutions applicable to, among other things, risk management, liquidity and capital planning, resolution planning, compliance programs, and changes in governmental enforcement approaches to perceived failures to comply with regulatory or legal obligations;
- our resolution plan, submitted to the Federal Reserve and FDIC in June 2017, may not be considered to be sufficient by the Federal Reserve and the FDIC, due to a number of factors, including, but not limited to, challenges we may experience in interpreting and addressing regulatory expectations, failure to implement remediation in a timely manner, the complexities of development of a comprehensive plan to resolve a global custodial bank and related costs and dependencies. If we fail to meet regulatory expectations to the satisfaction of the Federal Reserve and the FDIC in our resolution plan submission filed in June 2017 or any future submission, we could be subject to more stringent capital, leverage or liquidity requirements, or restrictions on our growth, activities or operations;
- adverse changes in the regulatory ratios that we are required or will be required to meet, whether arising under the Dodd-Frank Act or the Basel III final rule, or due to changes in regulatory positions, practices or regulations in jurisdictions

in which we engage in banking activities, including changes in internal or external data, formulae, models, assumptions or other advanced systems used in the calculation of our capital ratios that cause changes in those ratios as they are measured from period to period;

- requirements to obtain the prior approval or non-objection of the Federal Reserve or other U.S. and non-U.S. regulators for the use, allocation or distribution of our capital or other specific capital actions or corporate activities, including, without limitation, acquisitions, investments in subsidiaries, dividends and stock purchases, without which our growth plans, distributions to shareholders, share repurchase programs or other capital or corporate initiatives may be restricted;
- changes in law or regulation, or the enforcement of law or regulation, that may adversely affect our business activities or those of our clients or our counterparties, and the products or services that we sell, including additional or increased taxes or assessments thereon, capital adequacy requirements, margin requirements and changes that expose us to risks related to the adequacy of our controls or compliance programs;
- economic or financial market disruptions in the U.S. or internationally, including those which may result from recessions or political instability; for example, the U.K.'s decision to exit from the European Union may continue to disrupt financial markets or economic growth in Europe or, similarly, financial markets may react sharply or abruptly to actions taken by the new administration in the United States;
- our ability to develop and execute State Street Beacon, our multi-year transformation program to digitize our business, deliver significant value and innovation for our clients and lower expenses across the organization, any failure of which, in whole or in part, may among other things, reduce our competitive position, diminish the cost-effectiveness of our systems and processes or provide an insufficient return on our associated investment;
- our ability to promote a strong culture of risk management, operating controls, compliance oversight, ethical behavior and governance that meets our expectations and those of our clients and our regulators, and the financial, regulatory, reputation and other consequences of our failure to meet such expectations; the impact on our compliance and controls enhancement programs of the appointment of a monitor under the deferred prosecution agreement with the DOJ and compliance consultant expected to be appointed under a potential settlement with the SEC, including the potential for such monitor and compliance consultant to require changes to our programs or to identify other issues that require substantial expenditures, changes in our operations, or payments to clients or reporting to U.S. authorities;
- the results of our review of our billing practices, including additional amounts we may be required to reimburse clients, as well as potential consequences of such review, including damage to our client relationships and adverse actions by governmental authorities;
- the results of, and costs associated with, governmental or regulatory inquiries and investigations, litigation and similar claims, disputes, or civil or criminal proceedings;
- changes or potential changes in the amount of compensation we receive from clients for our services, and the mix of services provided by us that clients choose;
- the large institutional clients on which we focus are often able to exert considerable market influence, and this, combined with strong competitive market forces, subjects us to significant pressure to reduce the fees we charge, to potentially significant changes in our assets under custody and administration or our assets under management in the event of the acquisition or loss of a client, in whole or in part, and to potentially significant changes in our fee revenue in the event a client re-balances or changes its investment approach or otherwise re-directs assets to lower- or higher-fee asset classes;
- the potential for losses arising from our investments in sponsored investment funds;
- the possibility that our clients will incur substantial losses in investment pools for which we act as agent, and the possibility of significant reductions in the liquidity or valuation of assets underlying those pools;
- our ability to anticipate and manage the level and timing of redemptions and withdrawals from our collateral pools and other collective investment products;
- the credit agency ratings of our debt and depositary obligations and investor and client perceptions of our financial strength;
- adverse publicity, whether specific to State Street or regarding other industry participants or industry-wide factors, or other reputational harm;
- our ability to control operational risks, data security breach risks and outsourcing risks, our ability to protect our intellectual property rights, the possibility of errors in the quantitative models we use to manage our business and the possibility that our controls will prove insufficient, fail or be circumvented;

- our ability to expand our use of technology to enhance the efficiency, accuracy and reliability of our operations and our dependencies on information technology and our ability to control related risks, including cyber-crime and other threats to our information technology infrastructure and systems (including those of our third-party service providers) and their effective operation both independently and with external systems, and complexities and costs of protecting the security of such systems and data;
- our ability to grow revenue, manage expenses, attract and retain highly skilled people and raise the capital necessary to achieve our business goals and comply with regulatory requirements and expectations;
- changes or potential changes to the competitive environment, including changes due to regulatory and technological changes, the effects of industry consolidation and perceptions of State Street as a suitable service provider or counterparty;
- our ability to complete acquisitions, joint ventures and divestitures, including the ability to obtain regulatory approvals, the ability to arrange financing as required and the ability to satisfy closing conditions;
- the risks that our acquired businesses and joint ventures will not achieve their anticipated financial and operational benefits or will not be integrated successfully, or that the integration will take longer than anticipated, that expected synergies will not be achieved or unexpected negative synergies or liabilities will be experienced, that client and deposit retention goals will not be met, that other regulatory or operational challenges will be experienced, and that disruptions from the transaction will harm our relationships with our clients, our employees or regulators;
- our ability to recognize evolving needs of our clients and to develop products that are responsive to such trends and profitable to us, the performance of and demand for the products and services we offer, and the potential for new products and services to impose additional costs on us and expose us to increased operational risk;
- changes in accounting standards and practices; and
- changes in tax legislation and in the interpretation of existing tax laws by U.S. and non-U.S. tax authorities that affect the amount of taxes due.

Actual outcomes and results may differ materially from what is expressed in our forward-looking statements and from our historical financial results due to the factors discussed in this Disclosure or disclosed in our filings with the SEC, including our annual report or Form 10-K for the fiscal year ended December 31, 2016 and the risk factors described therein. Forward-looking statements in this Disclosure should not be relied on as representing our expectations or beliefs as of any time subsequent to the time this Disclosure is made available on our corporate website. We undertake no obligation to revise our forward-looking statements after the time they are made. The factors discussed herein are not intended to be a complete statement of all risks and uncertainties that may affect our businesses. We cannot anticipate all developments that may adversely affect our business or operations or our consolidated results of operations, financial condition or cash flows.

Forward-looking statements should not be viewed as predictions, and should not be the primary basis on which investors evaluate State Street. Any investor in State Street should consider all risks and uncertainties disclosed in our SEC filings, including our filings under the Securities Exchange Act of 1934, in particular our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K, or registration statements filed under the Securities Act of 1933, all of which are accessible on the SEC's website at *www.sec.gov* or on the “Investor Relations” section of our corporate website at *www.statestreet.com*.

REGULATION AND SUPERVISION

Overview

In 2013, U.S. banking regulators jointly issued a final rule implementing the Basel III framework in the U.S. Provisions of the Basel III final rule became effective under a transition timetable which began on January 1, 2014, with full implementation required beginning on January 1, 2019. The Basel III final rule provides for two frameworks: the “standardized” approach, which replaced Basel I, and the “advanced” approaches, applicable to advanced approaches banking organizations, like State Street, as originally defined under Basel II.

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) enacted in 2010, we and State Street Bank, as advanced approaches banking organizations, are subject to a permanent "capital floor", also referred to as the Collins Amendment, in the assessment of our regulatory capital adequacy, including a capital conservation buffer and a countercyclical capital buffer. The requirement for the capital conservation buffer was phased in beginning on January 1, 2016, with full implementation by January 1, 2019. The countercyclical buffer is currently set to zero by the agencies.

Regulatory Restrictions

Our and State Street Bank's primary federal banking regulator in the U.S. is the Federal Reserve. Federal banking regulations place certain restrictions on dividends paid by banking subsidiaries to their parent company. The Federal Reserve has the authority to prohibit or to limit the payment of dividends by the banking organizations it supervises, including us and State Street Bank, if, in the Federal Reserve’s opinion, the payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization. All of these policies and other requirements could affect our ability to pay dividends and purchase our common stock, or require us to provide capital assistance to State Street Bank and/or any other banking subsidiary. For more information on regulation and supervision, see pages 10-11 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

The following table presents the minimum ratio requirements under the PCA provisions for State Street Bank:

PROMPT CORRECTIVE ACTION PROVISIONS

	Well Capitalized		Adequately Capitalized	
	January 1, 2017	January 1, 2018	January 1, 2017	January 1, 2018
Common equity tier 1 risk-based capital	6.5%	6.5%	4.5%	4.5%
Tier 1 risk-based capital	8.0	8.0	6.0	6.0
Total risk-based capital	10.0	10.0	8.0	8.0
Supplementary leverage ratio (SLR)[1]		6.0		3.0

(1) State Street Bank, as an insured depository institution subsidiary of State Street, a U.S. G-SIB, must achieve a higher SLR requirement of 6% in order to remain well capitalized. There is no well capitalized SLR requirement for State Street Corporation.

REGULATORY CAPITAL

Overview

Our objective with respect to regulatory capital management is to maintain a strong capital base in order to provide financial flexibility for our business needs, including funding corporate growth and supporting clients’ cash management needs, and to provide protection against loss to depositors and creditors. We strive to maintain an appropriate level of capital, commensurate with our risk profile, on which an appropriate return to shareholders is expected to be realized over both the short and long term, while protecting our obligations to depositors and creditors and complying with regulatory capital adequacy requirements. For more information on regulatory capital, see pages 11-13 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

The following table presents the regulatory capital structure, total RWA and related risk-based capital ratios for State Street and State Street Bank, calculated under the advanced and standardized approaches provisions of the Basel III final rule as of the dates indicated:

TABLE 1: REGULATORY CAPITAL STRUCTURE AND RELATED REGULATORY CAPITAL RATIOS[1]

		State Street				State Street Bank			
		Basel III Advanced Approach		Basel III Standardized Approach		Basel III Advanced Approach		Basel III Standardized Approach	
(Dollars in millions)		June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Common shareholders' equity:									
Common stock and related surplus		$ 10,307	$ 10,300	$ 10,307	$ 10,300	$ 11,382	$ 11,376	$ 11,382	$ 11,376
Retained earnings		18,202	17,762	18,202	17,762	12,188	12,089	12,188	12,089
Accumulated other comprehensive income (loss)		(1,266)	(1,782)	(1,266)	(1,782)	(1,060)	(1,530)	(1,060)	(1,530)
Treasury stock, at cost		(8,367)	(8,159)	(8,367)	(8,159)	—	—	—	—
Total		18,876	18,121	18,876	18,121	22,510	21,935	22,510	21,935
Regulatory capital adjustments:									
Goodwill and other intangible assets, net of associated deferred tax liabilities[2]		(6,714)	(6,641)	(6,714)	(6,641)	(6,417)	(6,349)	(6,417)	(6,349)
Other adjustments		(155)	(161)	(155)	(161)	(91)	(94)	(91)	(94)
Common equity tier 1 capital		**12,007**	**11,319**	**12,007**	**11,319**	**16,002**	**15,492**	**16,002**	**15,492**
Preferred stock		3,196	3,196	3,196	3,196	—	—	—	—
Other adjustments		**(38)**	**(40)**	**(38)**	**(40)**	**—**	**—**	**—**	**—**
Tier 1 capital		15,165	14,475	15,165	14,475	16,002	15,492	16,002	15,492
Qualifying subordinated long-term debt		1,074	1,067	1,074	1,067	1,078	1,072	1,078	1,072
ALLL and Other		4	—	75	75	—	—	75	75
Other adjustments		—	—	—	—	—	—	—	—
Total capital		**$ 16,243**	**$ 15,542**	**$ 16,314**	**$ 15,617**	**$ 17,080**	**$ 16,564**	**$ 17,155**	**$ 16,639**
Risk-weighted assets[3]									
Credit risk		$ 52,755	$ 52,759	$ 105,785	$ 96,948	$ 50,010	$ 49,492	$ 102,642	$ 93,501
Operational risk		44,123	44,798	N/A	N/A	43,552	44,256	N/A	N/A
Market risk[4]		3,387	3,286	1,284	1,546	3,388	3,286	1,284	1,546
Total		**$ 100,265**	**$ 100,843**	**$ 107,069**	**$ 98,494**	**$ 96,950**	**$ 97,034**	**$ 103,926**	**$ 95,047**
Capital Ratios:	Minimum Requirements[5] 2017								
Common equity tier 1 risk-based capital	6.5%	**12.0%**	**11.2%**	**11.2%**	**11.5%**	**16.5%**	**16.0%**	**15.4%**	**16.3%**
Tier 1 risk-based capital	8.0%	**15.1**	**14.4**	**14.2**	**14.7**	**16.5**	**16.0**	**15.4**	**16.3**
Total risk-based capital	10.0%	**16.2**	**15.4**	**15.2**	**15.9**	**17.6**	**17.1**	**16.5**	**17.5**

(1) Common equity tier 1 capital, tier 1 capital and total capital ratios were calculated in conformity with the transitional provisions of the Basel III final rule.

(2) Amounts for State Street and State Street Bank consisted of goodwill, net of associated deferred tax liabilities, and 80% of other intangible assets, net of associated deferred tax liabilities, the latter phased in as a deduction from capital, in conformity with the Basel III final rule.

(3) Refer to "Total Risk-Weighted Assets" in this "Regulatory Capital" section for detail about the underlying sub-components of each type of RWA.

(4) Market risk RWA reported in conformity with the Basel III advanced approaches included a credit valuation adjustment, or CVA, which reflected the risk of potential fair-value adjustments for credit risk reflected in our valuation of over-the-counter derivative contracts. The CVA was not provided for in the final market risk capital rule; however, it was required by the advanced approaches provisions of the Basel III final rule. State Street uses the simple CVA approach in conformity with the Basel III advanced approaches.

(5) Minimum requirements will be phased in up to full implementation beginning on January 1, 2019; minimum requirements listed are as of June 30, 2017. See Table 3: Basel III Final Rules Transition Arrangements and Minimum Risk Based Capital Ratios.

Supplementary Leverage Ratio

The following table presents the SLR using transitional tier 1 capital as calculated under the supplementary leverage ratio provisions of the Basel III final rule as of the date indicated:

TABLE 2: SUPPLEMENTARY LEVERAGE RATIO

(In millions)	State Street June 30, 2017
Part 1: Summary comparison of accounting assets and total leverage exposure	
Total consolidated assets as reported in published financial statements(1)	238,274
Derivative exposure adjustments	14,379
Repo-Style exposure adjustments	2,262
Other off-balance sheet exposures adjustments	12,315
Other Adjustments(2)	(6,633)
Adjustments for frequency calculations(1)	(16,686)
Total Leverage Exposure	243,911
Part 2: Supplementary leverage ratio	
On-balance sheet exposures	
On-balance sheet assets (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)	195,063
LESS: Amounts deducted from tier 1 capital	6,633
Total on-balance sheet exposures (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)	188,430
Derivative exposures	
Replacement cost for derivative exposures (that is, net of cash variation margin)	4,156
Add-on amounts for potential future exposure (PFE) for derivative exposures	10,129
Gross-up for certain cash collateral posted if deducted from the on-balance sheet assets, except for cash variation margin	1,724
Effective notional principal amount of sold credit protection	153
Total derivative exposures	16,162
Repo-style transactions	
On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions. Exclude from this item the value of securities received in a security-for-security repo-style transaction where the securities lender has not sold or re-hypothecated the securities received. Include in this item the value of securities that qualified for sales treatment that must be reversed	62,238
LESS: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting agreements	37,390
Counterparty credit risk for all repo-style transactions	2,156
Total exposures for repo-style transactions	27,004
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amounts	30,063
LESS: Adjustments for conversion to credit equivalent amounts(3)	17,748
Off-balance sheet exposures	12,315
Capital and total leverage exposure	
Total leverage exposure	243,911
Tier 1 capital(4)	15,165
Supplementary leverage ratio(5)	6.2%

(1) In accordance with the SLR rule, total consolidated assets are reported as quarter-end balances, whereas certain other line items in Part 1 are reported as average balances for the quarter. To account for this timing difference, a frequency adjustment has been included.

(2) "Other Adjustments" includes goodwill, net of associated deferred tax liabilities, and 80% of other intangible assets, net of associated deferred tax liabilities, the latter phased in as a deduction from capital, with all such adjustments applied in conformity with the Basel III final rule as well as other applicable regulatory adjustments.

(3) Credit equivalent amounts are calculated using the credit conversion factors in accordance with the Basel III standardized approach.

(4) Tier 1 capital was calculated in conformity with the transitional provisions of the Basel III final rule.

(5) Supplementary leverage ratio is calculated by dividing tier 1 capital (numerator) by total leverage exposure for SLR (denominator). Total leverage exposure is calculated as the quarterly average of total on-balance sheet assets plus the average of each of the three month's period-end balances for specified off-balance sheet amounts.

The following table presents the Basel III final rules transition arrangements and minimum risk-based capital ratios from 2017 to 2019. For more information on minimum regulatory capital ratios, see page 16 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

TABLE 3: TRANSITION ARRANGEMENTS AND MINIMUM RISK-BASED CAPITAL RATIOS[(1)(2)]

	2017	2018	2019
Capital Conservation Buffer (CET1)	1.250%	1.875%	2.500%
GSIB surcharge (CET1)[(2)]	0.750	1.125	1.500
Minimum Common Equity Tier 1 Capital[(3)]	6.500	7.500	8.500
Minimum Tier 1 Capital[(3)]	8.000	9.000	10.000
Minimum Total Capital[(3)]	10.000	11.000	12.000

(1) Minimum ratios shown above reflect the countercyclical buffer, currently set at zero by U.S. banking regulators.

(2) State Street's G-SIB surcharge applicable on January 1, 2017 is 1.5%. Including a 1.5% surcharge, State Street's minimum risk-based capital ratio requirements, as of January 1, 2019 would be 8.5% for common equity tier 1, 10% for tier 1 capital and 12.0% for total capital.

(3) Minimum Common Equity Tier 1 Capital, Minimum Tier 1 Capital and Minimum Total Capital presented include the transitional capital conservation buffer as well as a transitional G-SIB surcharge based on an estimated 1.5% surcharge in all periods being phased-in beginning January 1, 2016 through January 1, 2019.

Regulatory Capital Instruments

We include multiple types of capital instruments in our regulatory capital. Within common equity tier 1 capital, we include common stock. Within tier 1 capital, we include qualifying preferred stock. Within tier 2 capital, we include qualifying subordinated long-term debt. The following table presents summary information about the capital instruments included in our common equity tier 1, tier 1 and tier 2 regulatory capital as of June 30, 2017:

TABLE 4: REGULATORY CAPITAL INSTRUMENTS

June 30, 2017
(Dollars in millions)

Description	Amount Issued	Capital Amount	Capital Category	Type	Maturity	Dividend/Coupon
Equity:						
Common stock(1)	$ 1,939	$ 1,939	Common equity tier 1	NA	NA	NA
Preferred stock(2)	489	489	Tier 1	Fixed	NA	5.25%
Preferred stock(2)	742	742	Tier 1	Fixed to Float	NA	5.9 (3)
Preferred stock(2)	729	729	Tier 1	Fixed	NA	6.0
Preferred stock(2)	743	743	Tier 1	Fixed to Float	NA	5.25 (4)
Preferred stock(2)	494	494	Tier 1	Fixed to Float	NA	5.35 (5)
Qualifying subordinated long-term debt:						
Subordinated debt	$ 1,000	$ 992	Tier 2	Fixed	May 15, 2023	3.10%
Subordinated debt	500	— (6)	Tier 2	Fixed	March 15, 2018	4.956
Subordinated debt	400	82 (6)	Tier 2	Fixed	October 15, 2018	5.25
Total	**$ 1,900**	**$ 1,074**				

NA: Not applicable.

(1) Amount consists of common stock issued and related surplus, net of common stock held in treasury.

(2) Amount issued is net of related issuance costs. Dividends payable on preferred stock are non-cumulative and are payable if, as and when declared by the Board.

(3) From the date of issuance to, but excluding, March 15, 2024, dividends will be calculated at an annual rate of 5.9%; from, and including, March 15, 2024, dividends will be calculated at an annual rate equal to 3-month LIBOR plus 3.108%.

(4) From the date of issuance to, but excluding, September 15, 2020, dividends will be calculated at an annual rate of 5.25%; from, and including, September 15, 2020, dividends will be calculated at an annual rate equal to 3-month LIBOR plus 3.597%.

(5) From the date of issuance to, but excluding, March 15, 2026, dividends will be calculated at an annual rate of 5.35%, and from, and including, March 15, 2026, dividends will be calculated at an annual rate equal to three-month LIBOR plus 3.709%

(6) Amounts included in tier 2 capital were reduced by 20% annual increments of the outstanding balance if the issuance is within five years of its maturity as of December 31, 2016.

Common Stock

Our common stock consists of 750 million shares authorized for issuance, $1.00 par value per share, of which 503,879,642 shares were issued, 129,773,003 shares were held in treasury, and 374,106,639 shares were outstanding as of June 30, 2017. Our common stock is listed on the New York Stock Exchange under the ticker symbol STT. Outstanding shares of our common stock are validly issued, fully paid and non-assessable. Holders of our common stock are not, and will not be, subject to any liability as shareholders. For more information on our regulatory capital instruments, see pages 17-20 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

Preferred Stock

The following table presents the details on each of the series of the preferred stock issued and outstanding as of June 30, 2017:

TABLE 5: PREFERRED STOCK

	Issuance Date	Depositary Shares Issued	Ownership Interest Per Depositary Share	Liquidation Preference Per Share	Liquidation Preference Per Depositary Share	Net Proceeds of Offering (in millions)	Redemption Date[(1)]
Preferred Stock:[(2)]							
Series C	August 2012	20,000,000	1/4,000th	$ 100,000	$ 25	$ 488	September 15, 2017
Series D	February 2014	30,000,000	1/4,000th	100,000	25	742	March 15, 2024
Series E	November 2014	30,000,000	1/4,000th	100,000	25	728	December 15, 2019
Series F	May 2015	750,000	1/100th	100,000	1,000	742	September 15, 2020
Series G	April 2016	20,000,000	1/4,000th	100,000	25	493	March 15, 2026

(1) On the redemption date, or any dividend declaration date thereafter, the preferred stock and corresponding depositary shares may be redeemed by us, in whole or in part, at the liquidation price per share and liquidation price per depositary share plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

(2) The preferred stock and corresponding depositary shares may be redeemed at our option in whole, but not in part, prior to the redemption date upon the occurrence of a regulatory capital treatment event, as defined in the certificate of designation, at a redemption price equal to the liquidation price per share and liquidation price per depositary share plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

Qualifying Subordinated Long-Term Debt

Our subordinated debt includes various issuances of long-term debt that qualify for inclusion in tier 2 capital under Basel III. To qualify for inclusion in tier 2 capital, among other things, these issuances must have a minimum original maturity of at least five years. However, the majority of our subordinated debt has an original maturity of ten years or more and rights by us to call the debt after five or more years. As required by Basel III, in the last five years before its maturity, the amount of an issuance included in tier 2 capital is discounted downward by cumulative increments of 20% per year until its maturity. When the remaining maturity is less than one year, the amount is excluded from tier 2 capital.

Total Risk-Weighted Assets

The following tables present the components of our total RWA and, where applicable, sub-components, related to credit risk, operational risk and market risk for State Street and State Street Bank, calculated under the advanced approaches provisions of the Basel III final rule as of the dates indicated:

TABLE 6: COMPONENTS OF TOTAL RISK-WEIGHTED ASSETS

	State Street			
	June 30, 2017		March 31, 2017	
(In millions)	RWA	EAD[1]	RWA	EAD[1]
Credit risk:				
Wholesale	$ 33,024	$ 233,678	$ 33,476	$ 225,749
Securitizations[2]	8,810	28,420	8,372	27,571
Equity[2]	5,577	5,361	5,931	5,669
All other[3]	5,344	5,041	4,980	4,699
Total credit risk[4]	**$ 52,755**	**$ 272,500**	**$ 52,759**	**$ 263,688**
Operational risk[5]	**$ 44,123**	NA	**$ 44,798**	NA
Market risk:		**Sixty-Day Average VaR**		**Sixty-Day Average VaR**
Value-at-risk[6]	289	8	246	7
Stressed value-at-risk[6]	995	27	1,300	35
Credit valuation adjustment[7]	2,103	NA	1,740	NA
Total market risk	**3,387**		**3,286**	
Total risk-weighted assets	**$ 100,265**		**$ 100,843**	

	State Street Bank			
	June 30, 2017		March 31, 2017	
(In millions)	RWA	EAD[1]	RWA	EAD[1]
Credit risk:				
Wholesale	$ 33,089	$ 232,053	$ 33,353	$ 224,492
Securitizations[2]	8,810	28,420	8,372	27,571
Equity[2]	3,535	4,692	3,429	4,636
All other[3]	4,576	4,317	4,338	4,093
Total credit risk[4]	**$ 50,010**	**$ 269,482**	**$ 49,492**	**$ 260,792**
Operational risk[5]	**$ 43,552**	NA	**$ 44,256**	NA
Market risk:		**Sixty-Day Average VaR**		**Sixty-Day Average VaR**
Value-at-risk[6]	289	8	246	7
Stressed value-at-risk[6]	995	27	1,300	35
Credit valuation adjustment[7]	2,105	NA	1,740	NA
Total market risk	**3,389**		**3,286**	
Total risk-weighted assets	**$ 96,951**		**$ 97,034**	

NA = Not Applicable

(1) EAD represents our estimated exposure to a counterparty if that counterparty defaults; EAD is more fully described under "Credit Risk - Advanced Internal Ratings-Based Approach" in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016 .

(2) Additional detail with respect to the RWA and EAD of securitizations and equity exposures is provided under "Securitizations" and "Equity Exposures Not Subject to Market Risk Rule," respectively, in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

(3) "All Other" consists of assets not assigned to an exposure category and exposures defined as "not material".

(4) RWA reflect 1.06 supervisory scaling factor described in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016 under "Regulatory Capital Requirements."

(5) RWA for operational risk are calculated using required capital measured by an internally developed loss distribution model; refer to "Operational Risk" in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

(6) RWA for market risk associated with trading activities are calculated based on respective 60-day moving averages of VaR and stressed-VaR measures; refer to "Market Risk" in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

(7) CVA reflects the risk of potential fair-value adjustments for credit risk reflected in our valuation of over-the-counter derivative contracts. CVA was not provided for in the final market risk capital rule; however, it is required by the advanced approaches provisions of the Basel III final rule. We do not use an internal model to calculate RWA related to the CVA; we use the simple CVA approach in conformity with the Basel III final rule.

RISK MANAGEMENT

In the normal course of our global business activities, we are exposed to a variety of risks, some inherent in the financial services industry, others more specific to our business activities. Our risk management framework focuses on material risks, which include the following:

- credit and counterparty risk;
- liquidity risk, funding and management;
- operational risk;
- information technology risk;
- market risk associated with our trading activities;
- market risk associated with our non-trading activities, which we refer to as asset-and-liability management, and which consists primarily of interest-rate risk;
- strategic risk;
- model risk; and
- reputational, fiduciary and business conduct risk.

For more information on our risk management framework, see pages 22-28 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

WHOLESALE CREDIT RISK

We define credit risk as the risk of financial loss if a counterparty, borrower or obligor, collectively referred to as a counterparty, is either unable or unwilling to repay borrowings or settle a transaction in accordance with underlying contractual terms. We assume credit risk in our traditional non-trading lending activities, such as loans and contingent commitments, in our investment securities portfolio, where recourse to a counterparty exists, and in our direct and indirect trading activities, such as principal securities lending and foreign exchange and indemnified agency securities lending. We also assume credit risk in our day-to-day treasury and securities and other settlement operations, in the form of deposit placements and other cash balances, with central banks or private sector institutions.

For more information about our credit risk management, see pages 28-37 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

The following tables present the EAD of our wholesale credit risk exposures by type as of the dates indicated, and the average EAD for the periods indicated:

TABLE 7: WHOLESALE CREDIT RISK EXPOSURE AT DEFAULT

(In millions)	June 30, 2017 EAD	Quarter Ended June 30, 2017 Average EAD[1]
Wholesale credit risk exposures[2]		
Cash and due from, and interest-bearing deposits with, banks[3]	$ 80,265	$ 77,812
Investment securities - wholesale	67,907	67,312
Loans and leases[4]	52,385	50,735
OTC derivative contracts[5]	17,353	17,179
Repo-style transactions[6]	11,130	10,718
Other wholesale	4,638	4,828
Total	**$ 233,678**	**$ 228,584**

(In millions)	March 31, 2017 EAD	Quarter Ended March 31, 2017 Average EAD[1]
Wholesale credit risk exposures[2]		
Cash and due from, and interest-bearing deposits with, banks[3]	$ 77,182	$ 65,531
Investment securities - wholesale	67,801	69,906
Loans and leases[4]	52,622	51,276
OTC derivative contracts[5]	13,905	14,389
Repo-style transactions[6]	10,033	9,643
Other wholesale	4,206	4,448
Total	**$ 225,749**	**$ 215,193**

(1) Amounts each represent the average of the three month-end EAD amounts in the quarter.

(2) Amounts exclude securitizations, equity exposures, assets not in a defined exposure category and exposures classified as "not material."

(3) Amounts predominantly consist of deposits with banks and central banks.

(4) Amounts include unused commitments and financial standby letters of credit.

(5) Amounts reflect the benefit of netting permitted by GAAP and the Basel III final rule, as applicable.

(6) Amounts include the aggregate of indemnified agency securities lending and enhanced custody and reverse repurchase and repurchase agreements; exposure reflects the benefit of collateral and netting permitted by GAAP and the Basel III final rule, as applicable.

The following tables present the EAD of our wholesale credit risk exposures by major geographic region as of the dates indicated:

TABLE 8: WHOLESALE CREDIT RISK EXPOSURE AT DEFAULT - GEOGRAPHIC MIX

June 30, 2017 (In millions)	EAD	Americas	Europe	Asia/ Pacific	Other[6]
Wholesale credit risk exposures[1]					
Cash and due from, and interest-bearing deposits with, banks[2]	$ 80,265	$ 27,743	$ 40,446	$ 12,025	$ 51
Investment securities - wholesale	67,907	58,253	4,754	4,900	—
Loans and leases[3]	52,385	46,691	5,346	269	79
OTC derivative contracts[4]	17,353	7,725	7,384	2,094	150
Repo-style transactions[5]	11,130	8,995	1,360	395	380
Other wholesale	4,638	3,576	869	160	33
Total	**$ 233,678**	**$ 152,983**	**$ 60,159**	**$ 19,843**	**$ 693**

March 31, 2017 (In millions)	EAD	Americas	Europe	Asia/ Pacific	Other[6]
Wholesale credit risk exposures[1]					
Cash and due from, and interest-bearing deposits with, banks[2]	$ 77,182	$ 34,845	$ 30,842	$ 11,437	$ 58
Investment securities - wholesale	67,801	58,722	3,764	5,315	—
Loans and leases[3]	52,622	46,158	5,990	182	292
OTC derivative contracts[4]	13,905	5,545	5,897	2,410	53
Repo-style transactions[5]	10,033	8,357	1,043	240	393
Other wholesale	4,206	3,494	594	80	38
Total	**$ 225,749**	**$ 157,121**	**$ 48,130**	**$ 19,664**	**$ 834**

[1] Amounts exclude securitizations, equity exposures, assets not in a defined exposure category and exposures classified as "not material."

[2] Amounts predominantly consist of deposits with banks and central banks.

[3] Amounts include unused commitments and financial standby letters of credit.

[4] Amounts reflect the benefit of netting permitted by GAAP and Basel III final rule as applicable.

[5] Amounts include the aggregate of indemnified agency securities lending and enhanced custody and reverse repurchase and repurchase agreements; exposure reflects the benefit of collateral and netting permitted by GAAP and the Basel III final rule, as applicable.

[6] “Other” geographic region represents our exposures primarily in Africa and the Middle East.

The following tables present the EAD of our wholesale credit risk exposures by counterparty type as of the dates indicated:

TABLE 9: WHOLESALE CREDIT RISK EXPOSURE AT DEFAULT - COUNTERPARTY TYPE

June 30, 2017 (In millions)	EAD	Governments, central banks and supra-nationals[6]	Commercial Banks	Broker/ Dealers	Funds	Other[7]
Wholesale credit risk exposures[1]						
Cash and due from, and interest-bearing deposits with, banks[2]	$ 80,265	$ 70,808	$ 8,832	$ 332	$ 39	$ 254
Investment securities - wholesale	67,907	58,368	6,067	72	—	3,400
Loans and leases[3]	52,385	9,906	216	300	33,296	8,667
OTC derivative contracts[4]	17,353	1,455	6,945	868	7,767	318
Repo-style transactions[5]	11,130	709	700	2,073	7,172	476
Other wholesale	4,638	626	108	111	676	3,117
Total	**$ 233,678**	**$ 141,872**	**$ 22,868**	**$ 3,756**	**$ 48,950**	**$ 16,232**

March 31, 2017 (In millions)	EAD	Governments, central banks and supra-nationals[6]	Commercial Banks	Broker/ Dealers	Funds	Other[7]
Wholesale credit risk exposures[1]						
Cash and due from, and interest-bearing deposits with, banks[2]	$ 77,182	$ 68,105	$ 8,793	$ 10	$ 76	$ 198
Investment securities - wholesale	67,801	59,451	5,748	—	—	2,602
Loans and leases[3]	52,622	10,165	1,410	404	32,819	7,824
OTC derivative contracts[4]	13,905	1,161	5,256	580	6,473	435
Repo-style transactions[5]	10,033	732	711	2,113	6,239	238
Other wholesale	4,206	503	164	295	242	3,002
Total	**$ 225,749**	**$ 140,117**	**$ 22,082**	**$ 3,402**	**$ 45,849**	**$ 14,299**

(1) Amounts exclude securitizations, equity exposures, assets not in a defined exposure category and exposures classified as "not material."

(2) Amounts predominantly consist of deposits with banks and central banks.

(3) Amounts include unused commitments and financial standby letters of credit.

(4) Amounts reflect the benefit of netting permitted by GAAP and the Basel III final rule, as applicable.

(5) Amounts include the aggregate of indemnified agency securities lending and enhanced custody and reverse repurchase and repurchase agreements; exposure reflects the benefit of collateral and netting permitted by GAAP and the Basel III final rule, as applicable.

(6) Amounts include municipalities, government agencies and multi-lateral development banks.

(7) “Other” counterparty type category represents our exposures primarily to corporates and insurance companies.

The following tables present the EAD of our wholesale credit risk exposures by remaining contractual maturity as of the dates indicated:

TABLE 10: WHOLESALE CREDIT RISK EXPOSURE AT DEFAULT - REMAINING CONTRACTUAL MATURITY

June 30, 2017 **(In millions)**	**EAD**	**< = 1 year**	**1 - 3 years**	**> 3 years[6]**
Wholesale credit risk exposures[1]				
Cash and due from, and interest-bearing deposits with, banks[2]	$ 80,265	$ 80,265	$ —	$ —
Investment securities - wholesale	67,907	8,063	12,072	47,772
Loans and leases[3]	52,385	32,007	10,235	10,143
OTC derivative contracts[4]	17,353	16,913	249	191
Repo-style transactions[5]	11,130	11,130	—	—
Other wholesale	4,638	4,607	31	—
Total	**$ 233,678**	**$ 152,985**	**$ 22,587**	**$ 58,106**

March 31, 2017 **(In millions)**	**EAD**	**< = 1 year**	**1 - 3 years**	**> 3 years[6]**
Wholesale credit risk exposures[1]				
Cash and due from, and interest-bearing deposits with, banks[2]	$ 77,182	$ 77,182	$ —	$ —
Investment securities - wholesale	67,801	10,340	11,477	45,984
Loans and leases[3]	52,622	32,244	10,068	10,310
OTC derivative contracts[4]	13,905	13,641	100	164
Repo-style transactions[5]	10,033	10,033	—	—
Other wholesale	4,206	4,206	—	—
Total	**$ 225,749**	**$ 147,646**	**$ 21,645**	**$ 56,458**

(1) Amounts exclude securitizations, equity exposures, assets not in a defined exposure category and exposures classified as "not material."

(2) Amounts predominantly consist of deposits with banks and central banks.

(3) Amounts include unused commitments and financial standby letters of credit.

(4) Amounts reflect the benefit of netting permitted by GAAP and the Basel III final rule, as applicable.

(5) Amounts include the aggregate of indemnified agency securities lending and enhanced custody and reverse repurchase and repurchase agreements; exposure reflects the benefit of collateral and netting permitted by GAAP and the Basel III final rule, as applicable.

(6) Exposures with remaining contractual maturities of greater than five years are capped at five years for RWA calculation purposes as per the Basel III final rule.

The following tables present EAD and related information associated with our wholesale credit risk exposures, by range of PD, as of the dates or for the periods indicated:

TABLE 11: WHOLESALE CREDIT RISK EXPOSURE - PROBABILITY OF DEFAULT

June 30, 2017

(Dollars in millions, except where otherwise noted)

PD range	EAD[1][2]	Weighted-Average LGD	Weighted-Average PD	Weighted-Average Risk Weight	Unfunded Commitments[3]	Average EAD (in thousands)
0.00 to < 0.03%[4]	$ 81,649	23.42%	0.01%	1.24%	$ —	$ 68,728
0.03 to < 0.10%	115,210	36.80	0.04	9.52	20,913	514
0.10 to < 0.15%	10,410	47.76	0.11	30.39	1,800	313
0.15 to < 0.20%	3,736	35.75	0.18	31.29	940	580
0.20 to < 1.00%	18,064	44.62	0.36	54.35	4,803	390
1.00 to < 5.00%	4,452	34.75	2.06	107.07	385	687
5.00 to < 10.00%	101	37.32	5.01	144.20	3	3,260
10.00 to < 20.00%	40	51.82	10.00	207.79	—	677
20.00 to < 100%	6	79.67	39.35	401.92	—	709
100%	10	69.00	100.00	100.00	—	41
Total	**$ 233,678**				**$ 28,844**	

March 31, 2017

(Dollars in millions, except where otherwise noted)

PD range	EAD[1][2]	Weighted-Average LGD	Weighted-Average PD	Weighted-Average Risk Weight	Unfunded Commitments[3]	Average EAD (in thousands)
0.00 to < 0.03%[4]	$ 69,959	14.11%	0.01%	1.35%	$ —	$ 60,361
0.03 to < 0.10%	118,181	36.57	0.04	9.21	22,423	531
0.10 to < 0.15%	11,432	48.92	0.11	30.58	2,275	311
0.15 to < 0.20%	4,654	46.02	0.19	37.34	889	610
0.20 to < 1.00%	17,054	45.63	0.35	55.84	4,837	430
1.00 to < 5.00%	4,260	35.53	2.06	107.89	406	766
5.00 to < 10.00%	93	47.61	5.00	173.51	27	2,275
10.00 to < 20.00%	96	45.52	10.00	184.34	—	1,230
20.00 to < 100%	20	53.90	48.15	267.43	—	2,033
100%	—	69.00	100.00	100.00	—	1
Total	**$ 225,749**				**$ 30,857**	

(1) EAD does not reflect the effect of credit risk mitigation, such as collateral and netting, except for OTC derivatives and securities finance exposures, which reflect the benefit of netting and collateral, as applicable.

(2) Amounts exclude securitizations, equity exposures, assets not in a defined exposure category and exposures classified as "not material."

(3) Unfunded commitments represent contractual unfunded amount prior to credit conversion.

(4) Amounts include sovereign exposures and exposures to, or directly and unconditionally guaranteed by, the Bank for International Settlements, the International Monetary Fund, the European Commission, the European Central Bank and multilateral development banks.

The following tables present information with respect to the EAD of our credit risk exposures that meet the definition of OTC derivative contracts as of the dates indicated:

TABLE 12: OVER-THE-COUNTER DERIVATIVE CONTRACTS[(1)(2)]

June 30, 2017 (in millions)	Gross Positive Fair Value	Potential Future Exposure	Netting Benefit	Net Positive Fair Value	EAD
Foreign exchange contracts	$ 13,029	$ 14,999	$ 11,005	$ 6,985	$ 17,023
Other contracts[(3)(4)(5)]	238	106	13	238	331
Total	**$ 13,267**	**$ 15,105**	**$ 11,018**	**$ 7,223**	**$ 17,354**

March 31, 2017 (in millions)	Gross Positive Fair Value	Potential Future Exposure	Netting Benefit	Net Positive Fair Value	EAD
Foreign exchange contracts	$ 8,843	$ 15,328	$ 10,560	$ 4,123	$ 13,611
Other contracts[(3)(4)(5)]	50	102	13	50	294
Total	**$ 8,893**	**$ 15,430**	**$ 10,573**	**$ 4,173**	**$ 13,905**

(1) Exposure is calculated using the current exposure method.

(2) Amounts exclude contracts treated as securitizations; refer to "Securitizations" in this Disclosure.

(3) "Other contracts" include cleared transactions with central counterparties where State Street acts as agent, riskless principal and principal.

(4) EAD and RWA for "Other contracts" include the benefit of collateral, which predominantly consists of cash and government securities.

(5) “Other contracts” may reflect a 0.71 scaling factor, which represents a five-day holding period, as outlined in the Basel III final rule.

The following tables present information with respect to our exposures treated as repo-style transactions, by type of exposure and treatment methodology as of the dates indicated. The first table presents information with respect to EAD associated with reverse repurchase and repurchase agreements, which predominantly result from our activities executed on behalf of our clients; the second table presents information with respect to EAD associated with our indemnified agency securities lending and enhanced custody business, which is State Street’s principal securities finance for our custody clients:

TABLE 13: REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

June 30, 2017 (In millions)	Gross Exposure[(1)]	Collateral[(2)]	Net EAD[(3)]
Agreements centrally cleared	$ 63,422	$ 62,801	$ 654
Agreements not centrally cleared	4,706	4,359	541
Total	**$ 68,128**	**$ 67,160**	**$ 1,195**

March 31, 2017 (In millions)	Gross Exposure[(1)]	Collateral[(2)]	Net EAD[(3)]
Agreements centrally cleared	$ 67,434	$ 66,790	$ 658
Agreements not centrally cleared	4,387	4,206	268
Total	**$ 71,821**	**$ 70,996**	**$ 926**

(1) Gross exposure does not reflect the benefits of legally enforceable netting agreements and collateral. In instances, wherein State Street facilitates both sides of the same trade (i.e. repurchase agreement on one side and reverse repurchase agreement on the other), the gross exposure includes State Street’s exposure on both sides.

(2) Collateral consists primarily of cash, U.S. Treasury securities and U.S. government agency securities. The amount of collateral may exceed the measure for gross exposure for individual agreements, because certain repo-style transactions are over-collateralized, while others are under-collateralized. In instances wherein State Street facilitates both sides of the same trade (i.e. repurchase agreement on one side and reverse repurchase agreement on the other), the collateral includes the fair value of cash and the securities received by State Street on both sides.

(3) Under the collateral haircut approach, EAD for repo-style transactions is calculated using a supervisory formula that incorporates the benefits of legally enforceable netting agreements and collateral, as well as prescribed supervisory haircuts for market price volatility and currency mismatches.

TABLE 14: INDEMNIFIED AGENCY LENDING AND ENHANCED CUSTODY

June 30, 2017

(In millions)	Base EAD[2]	Netting Benefit[3]	Net EAD[8]
Indemnified Agency Lending[1]	$ 4,552	$ 3,639	$ 914

(In millions)	Gross Exposure[5]	Collateral[6]	Net EAD[7][8]
Enhanced Custody[4]	$ 85,073	$ 90,903	$ 9,021

March 31, 2017

(In millions)	Base EAD[2]	Netting Benefit[3]	Net EAD[8]
Indemnified Agency Lending[1]	$ 4,261	$ 3,230	$ 1,031

(In millions)	Gross Exposure[5]	Collateral[6]	Net EAD[7][8]
Enhanced Custody[4]	$ 78,937	$ 84,600	$ 8,076

(1) EAD is calculated by applying a VaR methodology.

(2) Base EAD represents the net exposure of repurchase and securities lending or borrowing agreements at a client or counterparty level under a single agreement.

(3) The netting benefit for indemnified agency securities lending represents the benefit of collateral arrangements under a qualifying master netting agreement that allows for the netting, as applicable, of repurchase and securities lending exposures to a particular counterparty. The netting benefit for enhanced custody represents the benefit of netting, as applicable, of repurchase and securities lending or securities borrowing exposures to a particular counterparty under a qualifying master netting agreement.

(4) EAD is calculated by applying the collateral haircut approach

(5) Gross exposure does not reflect the benefits of legally enforceable netting agreements and collateral.

(6) The amount of collateral may exceed the measure for gross exposure for individual agreements, because certain repo-style transactions are over-collateralized, while others are under-collateralized.

(7) Under the collateral haircut approach, EAD for repo-style transactions is calculated using a supervisory formula that incorporates the benefits of legally enforceable netting agreements and collateral, as well as prescribed supervisory haircuts for market price volatility and currency mismatches.

(8) As of June 30, 2017, approximately $57 MM (approximately 6.2%) of Net EAD for indemnified agency lending and approximately $4 MM (approximately 0.04%) of Net EAD for enhanced custody is currently covered by guarantees considered eligible for Basel purposes.

Impairment Analysis and Allowance for Loan and Lease Losses

No loans were modified in troubled debt restructurings during the six months ended June 30, 2017 and the year ended December 31, 2016. There was one loan on non-accrual status as of December 31, 2016, but it has since been repaid in full. As of June 30, 2017 there were no loans or leases on non-accrual status, and no loans or leases were 90 days or more contractually past due.

Our reserve for off-balance sheet credit exposures totaled approximately $21 million as of June 30, 2017. The following table presents our allowance for loan and lease losses as of June 30, 2017 and June 30, 2016:

TABLE 15: ALLOWANCE FOR LOAN AND LEASE LOSSES

	Six Months Ended June 30,	
	2017	**2016**
(In millions)		
Beginning balance	**$ 53**	$ 46
Provision for loan losses[1]	**1**	8
Charge-offs[2]	**—**	(3)
Recoveries	**—**	—
Ending balance	**$ 54**	$ 51

[1] The provision for loan and lease losses is related to commercial and financial loans in the quarters ended June 30, 2017 and 2016.
[2] The charge-offs are related to commercial and financial loans.

SECURITIZATIONS

We engage in securitization activities primarily as an investor. Most of our aggregate securitization exposure (approximately 97%), measured by EAD, is carried in our investment securities portfolio in our consolidated statement of condition. We purchase various types of securitized financial assets in the form of U.S. and non-U.S. asset-backed securities which meet the definition of securitizations under the Basel framework. These securities are typically collateralized by various types of assets, including, for example, FFELP and private student loans, credit card receivables, residential mortgages, automobile and equipment leases and commercial mortgages. Our primary objective with respect to our investment in asset-backed securities is to generate interest income. For more information on securitizations, see page 45 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

The following tables present the EAD, capital requirement and RWA of our securitization exposures, by type of exposure as of the dates indicated.

TABLE 16: SECURITIZATION EXPOSURES

June 30, 2017

(In millions)	EAD	Capital Requirement	RWA[2]
Asset class			
U.S. asset-backed	$ 11,128	$ 283	$ 3,534
U.S. residential mortgage-backed	1,436	49	615
U.S. commercial mortgage-backed	2,521	44	547
Collateralized loan obligations	1,217	21	258
Non-U.S. asset-backed	3,160	78	969
Non-U.S. residential mortgage-backed	8,090	216	2,702
Re-securitizations	4	—	2
Other [1]	864	15	183
Total	**$ 28,420**	**$ 706**	**$ 8,810**

March 31, 2017

(In millions)	EAD	Capital Requirement	RWA[2]
Asset class			
U.S. asset-backed	$ 10,715	$ 235	$ 2,933
U.S. residential mortgage-backed	1,519	54	669
U.S. commercial mortgage-backed	2,540	44	551
Collateralized loan obligations	972	17	219
Non-U.S. asset-backed	3,131	78	980
Non-U.S. residential mortgage-backed	7,767	226	2,823
Re-securitizations	16	—	4
Other [1]	911	15	193
Total	**$ 27,571**	**$ 669**	**$ 8,372**

(1) Amounts include structured loans which meet the definition of securitizations.

(2) Amounts reflect 1.06 supervisory scaling factor described in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016 under "Regulatory Capital Requirements."

The following tables present the EAD, capital requirement and RWA of our securitization exposures, by range of risk weights as of the dates indicated:

TABLE 17: SECURITIZATION EXPOSURES - RANGE OF RISK WEIGHTS

June 30, 2017
(In millions)

Risk Weight Range	**EAD**	**Capital Requirement**	**RWA**[1]
Asset Securitizations			
20%-100%	$ 27,854	$ 488	$ 6,099
101%-200%	150	16	204
201%-500%	142	32	397
501%-1000%	164	105	1,310
1001%-1250%	106	64	797
Total Asset Securitizations	**$ 28,416**	**$ 705**	**$ 8,807**
Re-securitizations			
20%-100%	$ 4	$ —	$ 2
101%-200%		—	
201%-500%		—	1
501%-1000%		—	—
1001%-1250%		—	—
Total Re-securitizations	**$ 4**	**$ —**	**$ 3**
Total	**$ 28,420**	**$ 705**	**$ 8,810**

March 31, 2017
(In millions)

Risk Weight Range	**EAD**	**Capital Requirement**	**RWA**[1]
Asset Securitizations			
20%-100%	$ 27,082	$ 479	$ 5,986
101%-200%	175	20	251
201%-500%	130	32	394
501%-1000%	93	60	752
1001%-1250%	75	79	985
Total Asset Securitizations	**$ 27,555**	**$ 670**	**$ 8,368**
Re-securitizations			
20%-100%	$ 15		$ 3
101%-200%	1	—	1
201%-500%		—	
501%-1000%	—	—	—
1001%-1250%	—	—	—
Total Re-securitizations	**$ 16**	**$ —**	**$ 4**
Total	**$ 27,571**	**$ 670**	**$ 8,372**

[1] Amounts reflect 1.06 supervisory scaling factor described in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016 under "Regulatory Capital Requirements."

EQUITY EXPOSURES NOT SUBJECT TO MARKET RISK RULE

We carry two major categories of equity exposures: investments in entities and investments in funds. These investments include the following:

- Tax-advantaged investments, primarily composed of equity investments in alternative energy and low-income housing projects;
- Investments in joint ventures and other partnerships, and Community Reinvestment Act investments.
- Seed capital investments in sponsored investment funds;
- General investments in investment funds;
- Investments in connection with our BOLI program; and
- Stable value wrap contracts.

For more information on equity exposures not subject to market risk rule, see pages 50-51 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

The following tables present our equity exposures by type and risk-weighting approach as of the dates indicated:

TABLE 18: EQUITY EXPOSURES

June 30, 2017

(In millions)	Risk Weight	Carrying Value[1]	EAD	Capital Requirement	RWA[4]
Simple risk-weight approach:					
Equity investments in the 0% risk-weight category	0 %	$ 341	$ 341	$ —	$ —
Equity investments in the 20% risk-weight category	20	26	26	—	6
Community development equity exposures	100	779	779	66	825
Non-significant equity exposures	100	875	875	74	927
Significant exposures to financial institutions[2]	100	1	1	—	1
Non-publicly traded equity investments	400	—	—	—	—
Total simple risk-weight approach		**2,022**	**2,022**	**140**	**1,759**
Investment funds:					
Full look-through approach		150	150	26	323
Alternative modified look-through approach		238	240	46	572
Simple modified look-through approach		166	169	85	1,061
Other[3]		2,764	2,779	149	1,862
Total investment funds		**3,318**	**3,338**	**306**	**3,818**
Total equity investments		**$ 5,340**	**$ 5,360**	**$ 446**	**$ 5,577**

March 31, 2017

(In millions)	Risk Weight	Carrying Value[1]	EAD	Capital Requirement	RWA[4]
Simple risk-weight approach:					
Equity investments in the 0% risk-weight category	0 %	$ 341	$ 341	$ —	$ —
Equity investments in the 20% risk-weight category	20	26	26	—	6
Community development equity exposures	100	752	752	64	797
Non-significant equity exposures	100	865	865	73	917
Significant exposures to financial institutions[2]	100	3	3	—	3
Non-publicly traded equity investments	400	—	—	—	—
Total simple risk-weight approach		**1,987**	**1,987**	**137**	**1,723**
Investment funds:					
Full look-through approach		152	152	33	416
Alternative modified look-through approach		651	652	56	700
Simple modified look-through approach		116	119	104	1,300
Other[3]		2,744	2,759	143	1,792
Total investment funds		**3,663**	**3,682**	**336**	**4,208**
Total equity investments		**$ 5,650**	**$ 5,669**	**$ 473**	**$ 5,931**

(1) Amounts represent the fair value of investments recorded in AFS securities, as well as investments recorded in other assets that are accounted for under either the equity method or the cost method. Refer to "Significant Accounting Policies" section in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

(2) Represents equity investments in unconsolidated financial institutions considered "significant" as defined in the Basel III final rule, which are not deducted from common equity tier 1 capital and are assigned a transitional risk weight of 100% until 2017. Such risk weight will change to 250% in 2018.

(3) Amounts consist of our investment in BOLI and contingencies related to stable value wrap contracts. Carrying value includes adjusted notional exposure of stable value wrap contracts, which is off-balance sheet and is not recorded in our consolidated statement of condition.

(4) Amounts reflect 1.06 supervisory scaling factor described in our Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016 under "Regulatory Capital Requirements."

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk encompasses fiduciary risk and legal risk. Fiduciary risk is defined as the risk that State Street fails to properly exercise its fiduciary duties in its provision of products or services to clients. Legal risk is the risk of loss resulting from failure to comply with laws and contractual obligations as well as prudent ethical standards in business practices in addition to exposure to litigation from all aspects of State Street's activities.

Operational risk is inherent in the performance of investment servicing and investment management activities on behalf of our clients. Whether it be fiduciary risk, risk associated with execution and processing or other types of operational risk, a consistent, transparent and effective operational risk framework is key to identifying, monitoring and managing operational risk.

We have established an operational risk framework that is based on three major goals:

- Strong, active governance;
- Ownership and accountability; and
- Consistency and transparency.

For more information on operational risk, see pages 53-56 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

MARKET RISK

Market risk is defined by U.S. banking regulators as the risk of loss that could result from broad market movements, such as changes in the general level of interest rates, credit spreads, foreign exchange rates or commodity prices. We are exposed to market risk in both our trading and certain of our non-trading, or asset-and-liability management, activities. For more information on market risk, see pages 56-60 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

The following tables present VaR and stressed VaR associated with our trading activities for covered positions held during the quarters ended June 30, 2017 and March 31, 2017, and as of June 30, 2017 and March 31, 2017, as measured by our VaR methodology:

Table 19: TEN-DAY VaR ASSOCIATED WITH TRADING ACTIVITIES FOR COVERED POSITIONS[(1)]

	Quarter Ended June 30, 2017			Quarter Ended March 31, 2017			As of June 30, 2017	As of March 31, 2017
(In thousands)	**Average**	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**	**VaR**	**VaR**
Global Markets	**$ 7,759**	**$ 16,160**	**$ 4,590**	$ 6,614	$ 13,090	$ 2,566	**$ 7,577**	**$ 8,599**
Global Treasury	**433**	**1,408**	**89**	645	832	421	**528**	**421**
Total VaR	**$ 7,740**	**$ 16,119**	**$ 4,598**	$ 6,595	$ 12,971	$ 2,544	**$ 7,481**	**$ 8,475**

Table 20: TEN-DAY STRESSED VaR ASSOCIATED WITH TRADING ACTIVITIES FOR COVERED POSITION[(1)]

	Quarter Ended June 30, 2017			Quarter Ended March 31, 2017			As of June 30, 2017	As of March 31, 2017
(In thousands)	**Average**	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**	**Stressed VaR**	**Stressed VaR**
Global Markets	**$ 26,691**	**$ 44,875**	**$ 14,301**	$ 31,676	$ 43,001	$ 13,704	**$ 15,192**	**$ 32,115**
Global Treasury	**4,814**	**12,329**	**1,321**	10,892	17,019	6,609	**6,223**	**7,396**
Total Stressed VaR	**$ 26,934**	**$ 43,754**	**$ 14,646**	$ 34,846	$ 46,895	$ 18,119	**$ 14,943**	**$ 33,745**

(1) The decrease in the total stressed VaR-based measures as of June 30, 2017, compared to March 31, 2017, was mainly driven by lower interest rate risk in emerging market currencies as of June 30, 2017 as compared to March 31, 2017.

The following tables present the VaR and stressed-VaR associated with our trading activities attributable to foreign exchange risk, interest-rate risk and volatility risk as of June 30, 2017 and March 31, 2017. The totals of the VaR-based and stressed VaR-based measures for the three attributes in total exceeded the related total VaR and total stressed VaR presented in the foregoing tables as of each period-end, primarily due to the benefits of diversification across risk types.

Table 21: TEN-DAY VaR ASSOCIATED WITH TRADING ACTIVITIES BY RISK FACTOR[(1)]

	As of June 30, 2017			As of March 31, 2017		
(In thousands)	**Foreign Exchange Risk**	**Interest Rate Risk**	**Volatility Risk**	**Foreign Exchange Risk**	**Interest Rate Risk**	**Volatility Risk**
By component:						
Global Markets	**$ 6,167**	**$ 3,042**	**$ 506**	$ 6,107	$ 3,682	$ 263
Global Treasury	**59**	**552**	**—**	53	436	—
Total VaR	**$ 6,186**	**$ 3,035**	**$ 506**	$ 6,134	$ 3,579	$ 263

Table 22: TEN-DAY Stressed VaR ASSOCIATED WITH TRADING ACTIVITIES BY RISK FACTOR[(1)]

	As of June 30, 2017			As of March 31, 2017		
(In thousands)	**Foreign Exchange Risk**	**Interest Rate Risk**	**Volatility Risk**	**Foreign Exchange Risk**	**Interest Rate Risk**	**Volatility Risk**
By component:						
Global Markets	**$ 10,514**	**$ 13,872**	**$ 520**	$ 6,750	$ 34,006	$ 324
Global Treasury	**104**	**6,439**	**—**	78	7,489	—
Total Stressed VaR	**$ 10,570**	**$ 15,036**	**$ 520**	$ 6,770	$ 35,574	$ 324

(1) For purposes of risk attribution by component, foreign exchange refers only to the risk from market movements in period-end rates. Forwards, futures, options and swaps with maturities greater than period-end have embedded interest-rate risk that is captured by the measures used for interest-rate risk. Accordingly, the interest-rate risk embedded in these foreign exchange instruments is included in the interest-rate risk component.

ASSET-AND-LIABILITY MANAGEMENT ACTIVITIES

The primary objective of asset-and-liability management is to provide sustainable NII under varying economic conditions, while protecting the economic value of the assets and liabilities carried in our consolidated statement of condition from the adverse effects of changes in interest rates. While many market factors affect the level of NII and the economic value of our assets and liabilities, one of the most significant factors is our exposure to movements in interest rates. Most of our NII is earned from the investment of client deposits generated by our businesses. We invest these client deposits in assets that conform generally to the characteristics of our balance sheet liabilities, including the currency composition of our significant non-U.S. dollar denominated client liabilities.

We quantify NII sensitivity using an earnings simulation model that includes our expectations for new business growth, changes in balance sheet mix and investment portfolio positioning. This measure compares our baseline view of NII over a twelve-month horizon, based on our internal forecast of interest rates, to a wide range of instantaneous and gradual rate shocks. Economic value of equity sensitivity is a discounted cash flow model designed to estimate the fair value of assets and liabilities under a series of interest rate shocks over a long-term horizon. Each approach is routinely monitored as market conditions change and within internally-approved risk limits and guidelines.

For additional information on our Asset-and-Liability Management Activities, see pages 62-63 in the Supplemental Public Disclosure of Basel III Regulatory Capital as of December 31, 2016.

In the table below, we report the expected change in NII over the next twelve months from +/-100 basis point instantaneous and gradual parallel rate shocks. Each scenario assumes no management action is taken to mitigate the adverse effects of interest rate changes on our financial performance. While investment securities balances can fluctuate with the level of rates as prepayment assumptions change, our deposit balances remain consistent with the baseline.

We also routinely measure NII sensitivity to non-parallel rate shocks to isolate the impact of short-term or long-term market rates. In the up 100 basis point instantaneous shock, approximately 80% of the benefit stems from the short-end of the yield curve. Additionally, we quantify how much of the change is a result of shifts in U.S. and non-U.S. rates. In the up 100 basis point instantaneous shock, approximately 50% of the benefit is driven by U.S. rates.

TABLE 23: NII SENSITIVITY

(Dollars in millions)	June 30, 2017	December 31, 2016
Rate change:	Benefit/(Exposure)	
+100 bps shock	**$ 523**	$ 585
–100 bps shock	**(356)**	(265)
+100 bps ramp	**228**	284
–100 bps ramp	**(146)**	(161)

As of June 30, 2017, NII sensitivity remains positioned to benefit from rising interest rates. Compared to December 31, 2016, the decreased benefit to the up 100 basis point instantaneous shock is driven by a mix shift in client deposits and the repricing characteristics of other wholesale liabilities, partially offset by investment portfolio activity. The increased exposure to the down 100 basis point instantaneous shock is driven by higher observed short-term interest rates relative to year-end and investment portfolio activity, partially offset by a mix shift in client deposits. Gradual rate shocks have a similar asset sensitive positioning, but are less impactful due to the severity and timing of the rate shift.

The following table highlights our economic value of equity sensitivity to a +/-200 basis point instantaneous rate shock, relative to spot interest rates. Management compares the change in EVE sensitivity against State Street's aggregate tier 1 and tier 2 risk-based capital, calculated in conformity with current applicable regulatory requirements. Economic value of equity sensitivity is dependent on the timing of interest and principal cash flows. Also, the measure only evaluates the spot balance sheet and does not include the impact of new business assumptions.

TABLE 24: EVE SENSITIVITY

(Dollars in millions)	June 30, 2017	December 31, 2016
Rate change:	Benefit/(Exposure)	
+200 bps shock	**$ (945)**	$ (1,092)
–200 bps shock	**135**	877

As of June 30, 2017, economic value of equity sensitivity remains exposed to upward shifts in interest rates. The change in each scenario was primarily driven by investment portfolio repositioning and the level and mix of client deposits. The -200 basis point scenario is also impacted by the low level of interest rates, which limits the size of the rate shock.