

State Street Europe Holdings Germany S.à r.l. & Co. KG

Consolidated Disclosure Report as of June 30, 2019

Pursuant to Part 8 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation, CRR)



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1 Scope

Legal requirements on disclosure of credit institutions and investment firms have been enhanced with the European implementation of Basel III, more specifically by the Directive 2013/36/EU (Access to the activity of credit institutions, the prudential supervision of credit institutions and investment firms, henceforth as “CRD IV”) as well as the Regulation EU No. 575/2013 (Prudential requirements for credit institutions and investment firms, henceforth “CRR”), and became effective on January 1, 2014.

Additionally, the Regulation (EU) 2019/876¹ entered into force on June 27, 2019, leading to additional disclosure requirements starting with June 30, 2019 and subsequent disclosure dates. Thus, all article references made in this document refer to the CRR version that entered into force on June 27, 2019.

Part 8 of the CRR requires institutions to disclose a set of statutory information at least on an annual basis. Furthermore institutions are obliged to assess the necessity of disclosing specific information more frequently than annually.

The Circular of the Federal Financial Supervisory Authority („BaFin“) 2015/05 (BA) (henceforth “BaFin Circular”), which serves as the national implementation of the EBA Guidelines on disclosure requirements (EBA/GL/2014/14)², determines the relevant indicators for the assessment of the disclosure frequency and points out which items should be considered to be relevant for disclosure during the year. A disclosure more frequently than annually has especially to be considered if the institution’s total consolidated assets exceed EUR 30bn.

The State Street Europe Holdings Germany S.à r.l. & Co. KG Group (henceforth “SSEHG Group” or “Group”) was established on May 4, 2015 by merging several European business entities of the former State Street Bank Luxembourg S.A. Group. State Street Europe Holdings Germany S.à r.l. & Co. KG (henceforth „SSEHG KG“) is a financial holding company in accordance with Art. 4 (1) No. 20 CRR and at the same time the EU parent financial holding company in accordance with Art. 4 (1) No. 31 CRR.

State Street Bank International GmbH, Munich (henceforth “SSB Intl GmbH” or “Bank”), being the superordinated credit institution in accordance with Art. 11 (2) CRR, prepares this consolidated Disclosure Report for the Group. Due to total assets of approximately EUR 42bn as of June 30, 2019 (henceforth “reporting date”), SSEHG Group has to publish a consolidated Disclosure Report more frequently than annually.

As the total balance sheet of SSB Intl GmbH also exceeds the threshold of EUR 30bn, SSB Intl GmbH fulfills with this present report simultaneously the disclosure requirements as a large subsidiary (Art. 4 (1) No. 147 CRR)³ according to Art. 13 (3) CRR⁴ i.c.w. the above mentioned BaFin Circular. Accordingly, specific information is published also on an individual level for SSB Intl GmbH.

Furthermore, the semi-annual disclosure requirements pursuant to Art. 13(2), 433a (3) CRR i.c.w. Art. 437a, 447 (h) CRR are applicable on Group level, in which CRR obliges institutions to disclose their Total Loss-Absorbing Capacity (henceforth “TLAC”) according to Art. 92b CRR i.c.w. Art. 92a CRR for the first time as of June 30, 2019.

¹ Amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012

² EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Art. 432(1), 432(2) and 433 CRR

³ Consequently, SSB Intl GmbH qualifies also as “large institution” according to Art. 4 (1) No. 146 CRR

⁴ The respective parent undertakings established in a third country is State Street International Holdings Switzerland GmbH (Steinhausen, Switzerland)

The TLAC is measured with a risk-based ratio using the Total Risk Exposure Amount (“TREA”) and a non-risk based ratio using the Leverage Ratio Exposure Measure (“LREM”). For further details please refer to chapter 5.2.

This Disclosure Report of SSEHG Group aims to fulfil the prudential transparency rules to allow market participants to evaluate capital adequacy and risk profile both on consolidated and individual basis by means of disclosure of information regarding risk positions and own funds.

The figures shown in this Disclosure Report are based on the regulatory scope of consolidation and on the German Accounting Standards according to the German Commercial Code (henceforth “HGB”). If not mentioned otherwise, the figures are shown in kEUR.

The figures⁵ in this report are based on the internal monthly financial statement as of June 28, 2019 and are therefore consistent with the regulatory reports both for SSEHG Group and SSB Intl GmbH. Additionally, in case of any ambiguity in the descriptions contained in this report, the German version of this report is binding.

⁵ Quantitative data presented in this report may show differences due to rounding.

2 General Information

2.1 Overview on material regulatory key metrics

The following table gives an overview on important regulatory key metrics which are disclosed in this report.

Further information on the liquidity coverage ratio (henceforth “LCR”) are laid out in chapter 4, a more detailed description of own funds and eligible liabilities as well as own funds requirements follows in chapter 5 and additional information about the leverage ratio are available in chapter 6.

Table 1: Overview on important regulatory key metrics⁶

	SSEHG Group		SSB Intl GmbH	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Available Capital				
Common Equity Tier 1	2,727,525	2,425,740	2,264,998	2,122,226
Tier 1 Capital	2,727,525	2,425,740	2,264,998	2,122,226
Tier 2 Capital	-	-	100,000	100,000
Total Capital (Own funds)	2,727,525	2,425,740	2,364,998	2,222,226
Risk-weighted assets (RWA)				
Total RWA	6,870,945	6,381,931	7,033,268	6,392,306
<i>thereof: Credit risk (RWA)</i>	5,219,293	4,771,600	5,441,618	4,799,870
<i>thereof: Market risk (RWA)</i>	53	83	53	83
<i>thereof: Operational Risk (RWA)</i>	1,622,246	1,586,277	1,562,244	1,568,382
<i>thereof: CVA risk</i>	29,353	23,972	29,353	23,972
Capital Ratio (in %)				
Common Equity Tier 1 Ratio	39.7	38.0	32.2	33.2
Tier 1 Ratio	39.7	38.0	32.2	33.2
Total Capital Ratio	39.7	38.0	33.6	34.8
Additional buffer requirements (in %)				
Capital conservation buffer	2.50	1.88	2.50	1.88
Countercyclical capital buffer	0.07	0.05	0.06	0.05
Other capital buffer	-	-	-	-
Leverage Ratio				
Leverage Ratio exposure measure (total)	41,564,550	43,715,395	41,957,168	44,337,272
Leverage Ratio (in %)	6.6	5.5	5.4	4.8
Liquidity Coverage Ratio (in %)				
LCR	203.8	190.0	198.1	187.7
Total Loss-Absorbing Capacity (TLAC) Standard				
Regulatory capital components for TLAC (numerator)				
Own funds and eligible liabilities	2,727,525			
<i>thereof: Own funds (only CET1)</i>	2,727,525			
<i>thereof: Eligible liabilities</i>	-			
Risk measures for TLAC (denominator)				
RWA (Total Risk Exposure Amount, TREA)	6,870,945			
Leverage ratio exposure measure (LREM)	41,564,550			
TLAC ratios				
TLAC ratio (in % of TREA)	39.7			
TLAC ratio (in % of LREM)	6.6			

⁶ This table is based upon the revised but not yet binding standard regarding disclosure requirements (BCBS 455: “Standards: Pillar 3 disclosure requirements – updated framework”, December 2018) by the Basel Committee on Banking Supervisions (“BCBS”)

2.2 Group background (Art. 436 CRR)

The SSEHG Group consists of the following entities as of June 30, 2019:

- State Street Europe Holdings Germany S.à r.l. & Co. KG, Munich, Germany
- State Street Holdings Germany GmbH, Munich, Germany (henceforth “SSHG”)
- State Street Bank International GmbH, Munich, Germany
- State Street Banque S.A, Paris, France (henceforth “SSB France”)

As of the reporting date, SSB Intl GmbH has a direct participation in holding the shares of State Street Finanz GmbH, Zurich, Switzerland and a direct participation in SSB France.

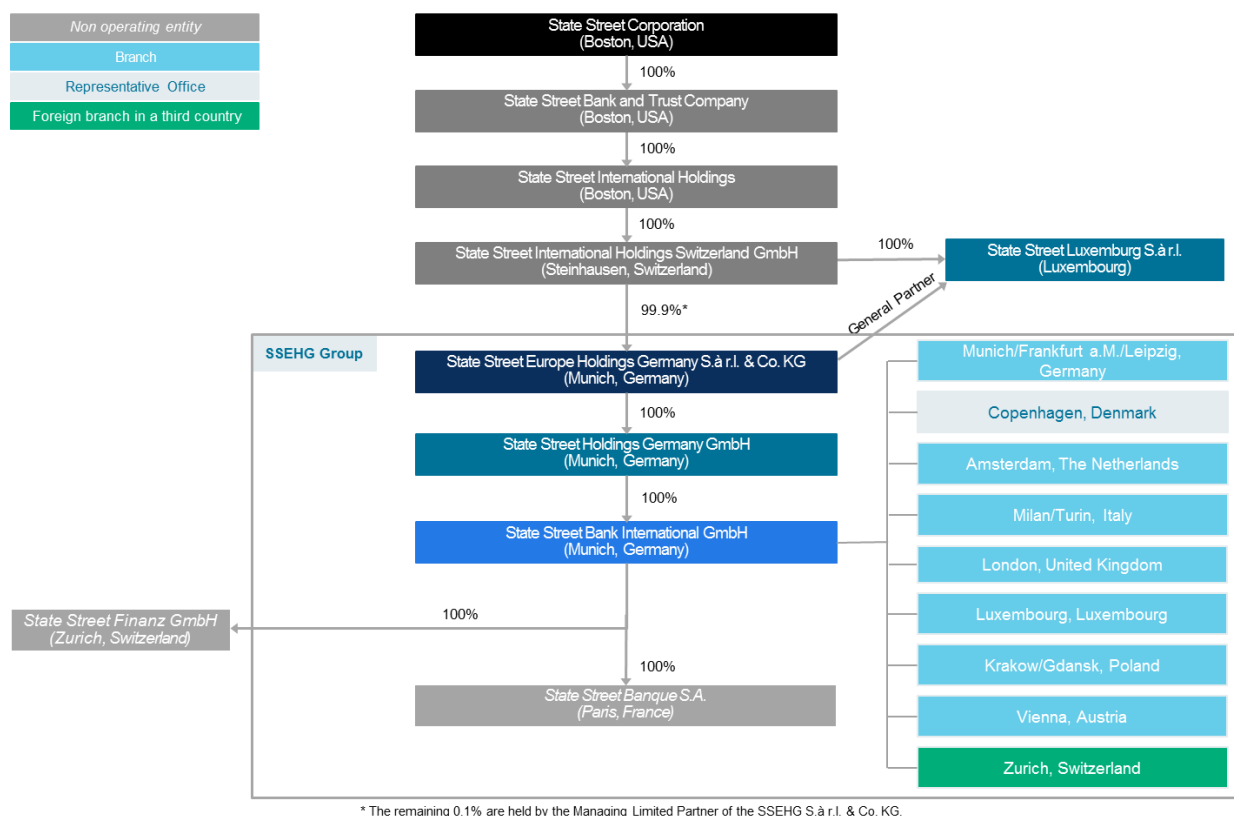
On April 1, 2019 SSB France became a wholly-owned subsidiary of SSB Intl GmbH. Concurrently, SSB France was fully consolidated, both in the prudential consolidation scope (acc. to Art. 18 CRR) and within the meaning of the accounting consolidation scope. This was a necessary interim step towards the completion of the merger of SSB France into the newly founded French Branch of SSB Intl GmbH, which was completed on July 3, 2019 with an effective merger date as of July 1, 2019. As a result of the merger the SSB France ceased to exist as a credit institution.

2.3 Business Model

As the operation of the Group is essentially affected by the only credit institution of the Group, SSB Intl GmbH, the following section presents an overview on the business model and development of the Bank.

SSB Intl GmbH, Munich is the legal entity that constitutes the Group’s operating company. SSB Intl GmbH, Munich, was founded in 1970 as a provider of innovative solutions for the global custody and management of securities. It has been a deposit taking bank since 1994 and, since 1996, it has offered the full range of services expected of a depositary bank to the German and European market. In the reporting period SSB Intl GmbH, with its headquarters in Munich, maintained a domestic branch in Frankfurt am Main, an office in Leipzig, a foreign branch office in Zurich, and EU branch offices in Amsterdam, Milan (with another office in Turin), London, Vienna, Luxembourg and Krakow (with another office in Gdansk). Furthermore, there is a representative office in Copenhagen. The number of employees of SSB Intl GmbH is 6,952 on an average semesterly basis.

Illustration 1: Subsidiaries, branches and representative offices of SSB Intl GmbH



SSB Intl GmbH concentrates on the specific requirements of institutional customers over the entire investment cycle. The core business is primarily the custody and administration of securities “custody-only”, the custody business including reporting services for asset managers, supporting activities for the middle and back office of investment management companies. Furthermore, its registered activities also include:

- Provision of securities services in the form of, inter alia, principal broking services and orders in investment fund units (agent fund trading, cash sweep services, fund connect)
- Investment broking and proprietary⁷ trading in forward exchange transactions
- Proprietary trading⁸ in the enhanced custody business
- Contract broking in securities lending transactions
- Management of collateral provided in the course of securities lending transactions

In connection with its core business, SSB Intl GmbH offers lending business and foreign exchange as well as money market transactions and invests in securities and European Leveraged Loans.

⁷ Those trades refer to customer-induced transactions which are closed out by means of back-to-back transactions with affiliated companies. SSB Intl GmbH does not trade for the purpose of short-term profits and therefore positions are not intended to have a speculative component. As a result, there were no own funds requirements for open foreign currency positions from forward exchange contracts as of the balance sheet date.

⁸ As principal, SSB Intl GmbH’s enhanced custody business borrows securities from the lending client or affiliated companies and then lends such securities to the subsequent borrower, either our client or a broker/dealer. SSB Intl GmbH acts as principal when the lending client is unable to, or elects not to, transact directly with the market and execute the transaction and furnish the securities.

Moreover, it offers supplementary services, such as reporting, performance evaluation, and risk analyses, which are becoming increasingly important on the market. The branch in Krakow provides internal services for SSB Intl GmbH and affiliates. Generally, the various foreign branches offer specific solutions such as acting as the local paying agent for foreign investment funds in Italy or as the foreign fund representative and paying agent services in Switzerland.

The external rating of AA- issued to SSB Intl GmbH was confirmed in the by Standard & Poor's Financial Services LLC, New York, USA on July 11, 2019.

3 Governance arrangements (Art. 435 (2) a), b), c) CRR)

In accordance with German legislation ("Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern in Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst"), the Supervisory Board and the Executive Management Board (henceforth "EMB") have determined specific target values for the ratio of female employees in leadership positions.

In the first half-year 2019 we have made further progress towards our diversity goals and surpassed the gender goal at the level of the Supervisory Board, EMB and Assistant Vice Presidents ("AVP"). We acknowledge that continued effort is being required to achieve the target value on Vice President ("VP") level and a sustainable level of female representation at all levels.

Table 2: Target values and target achievement for the ratio of female employees in leadership positions⁹

Management Level	Target value	Status as per June 30, 2019
Supervisory Board	30%	33%
Executive Management Board	25%	38%
Vice President (and higher Corporate Title)	34%	31%
Assistant Vice President	40%	41%

The following personnel changes occurred during the reporting period:

- Ms. Kimberly DeTrask, Ms. Michelle Grundmann and Mr. Rajen Shah were appointed to the EMB of SSB Intl GmbH effective as of January 1, 2019
- Mr. Ian William Appleyard was appointed to the Supervisory Board of SSB Intl GmbH effective as of February 15, 2019

4 Liquidity Coverage Ratio ("LCR")

This chapter shows specific information based on the EBA guidelines for the disclosure of the Liquidity Coverage Ratio (EBA/GL/2017/01)¹⁰.

Further detailed Information regarding liquidity risks and the liquidity risk management according to Art. 435 (1) CRR and EBA/GL/2017/07 can be found in chapter 3 ("Risk Management") of the annual disclosure report as of December 31, 2018.

⁹ This table includes only SSB Intl GmbH as the only operating entity. In addition, the diversity targets do not apply for the five individuals employed at SSHG as of June 30, 2019

¹⁰ EBA Guideline for disclosure on LCR disclosure to complement the disclosure of liquidity risk management under Art. 435 CRR

Liquidity Coverage Ratio (LCR) – General information

As of reporting date, the LCR of the SSEHG Group increased from 190.0% to 203.8% and the LCR of SSB Intl GmbH from 187.7% to 198.1% compared to December 31, 2018. This increase results from an decrease in non-operational deposits and less inflows due to the partly reduction of reverse repurchase agreements.

The Group calculates the LCR in significant foreign currencies in accordance with Art. 415 (2) CRR when the corresponding 5% threshold¹¹ is exceeded. At the disclosure date, the US Dollar was unchanged defined as significant currency only. As of June 30, 2019, the LCR in US Dollar was 210.8% for the SSEHG Group and 210.8% for SSB Intl GmbH, which is significantly above the regulatory minimum of 100%.

In addition, there are neither additional material items for the liquidity risk profile of the SSEHG Group and SSB Intl GmbH that are not described in this Disclosure Report nor any other significant changes compared to December 31, 2018.

Liquidity Coverage Ratio (LCR) – Quantitative information

The following information both, for the SSEHG Group and the Bank will be published in accordance with Art. 435 CRR and the presentation of Annex II of EBA/GL/2017/01 in the form of simplified disclosure of the LCR¹².

The values presented are calculated as the average of the last twelve month end values in relation to the end of the quarter to be published.

Table 3: LCR-Disclosure of SSEHG Group (EU LIQ1)

Level of consolidation: consolidated	Total weighted value (average, in EUR mn)			
Quarter ending on	09/30/2018	12/31/2018	03/31/2019	06/30/2019
Number of data points used in the calculation of averages	12	12	12	12
21 Liquidity Buffer	27,658	28,396	29,093	29,450
22 Total net cash outflow	14,840	15,238	15,341	15,395
23 Liquidity Coverage Ratio (%)	189.0	188.8	191.2	192.7

Table 4: LCR-Disclosure of SSB Intl GmbH (EU LIQ1)

Level of consolidation: solo	Total weighted value (average, in EUR mn)			
Quarter ending on	09/30/2018	12/31/2018	03/31/2019	06/30/2019
Number of data points used in the calculation of averages	12	12	12	12
21 Liquidity Buffer	27,658	28,396	29,093	29,450
22 Total net cash outflow	14,913	15,328	15,479	15,587
23 Liquidity Coverage Ratio (%)	188.2	187.8	189.5	190.3

The LCR of the Group and the Bank prove that the liquidity buffer and the available refinancing funds are at any time sufficient over the required period of time to execute customer orders and to meet its payment obligations.

¹¹ A LCR-report in respective foreign currency has to be made in the aggregate liabilities in a foreign currency different from the reporting currency amount or exceed 5% of the institution's or the single liquidity subgroup's total liabilities

¹² As the requirements according to Sec. 14 of EBA/GL/2017/01 are fulfilled both for SSEHG Group and SSB Intl GmbH

5 Own funds, eligible liabilities and own funds requirements

5.1 Structure of Own funds of SSEHG Group and SSB Intl GmbH (Art. 437 CRR)

Structure of the own funds of SSEHG Group

Own funds of the Group consist completely of Common Equity Tier 1 (henceforth “CET 1”) items. The CET 1 capital ratio as well as the Total Capital Ratio of the Group amounts to 39.7% as of June 30, 2019.

The Group's CET1 capital is composed of the limited partnership capital and the fund for general banking risks pursuant to Section 340g HGB. Since the last disclosure as of December 31, 2018, the CET 1 capital of the Group increased by EUR 302mn. Main reasons for this change were related to both, the increase of the other reserves (CET1 item) by EUR 111mn due to the merger activities of SSB France (please refer to chapter 2.2) as well as the approval of the group financial statements whereby the deduction items for intangible assets (including goodwill) have been reduced. In addition, countervailing effects to the overall increase resulted from the SSB France merger (newly created intangible assets), an increased loss carried forward (including the losses for the current financial year) as well as additional deduction items for new irrevocable payment commitments that have been given by SSB Intl GmbH in the first half-year of 2019 to the deposit guarantee fund (Einlagensicherungsfonds) of the Association of German Banks (Bundesverband deutscher Banken, henceforth “BdB”) and the Single Resolution Funds (SRF)¹³.

Prudential deductions according to Art. 34 CRR i.c.w. Art. 105 CRR concern 0.1% of the financial assets measured at fair value (defined-benefit pension fund assets) of the Group according to the simplified approach of the Delegated Regulation (EU) 2016/101¹⁴. Deductions from the CET 1 capital, pursuant to Art. 36 (1) a), b), and e) CRR, consist of the loss carried forward, the loss of the current financial year 2019 as well as intangible assets, including the goodwill of the entities subject to the restructuring of several European entities in the course of the establishment of the Group.

Additionally, as of reporting date SSB Intl GmbH has given irrevocable and non-cancellable payment commitments towards the deposit guarantee fund (Einlagensicherungsfonds) of the BdB amounting to EUR 7.5mn (EUR 3.7mn as of December 31, 2018) which have been fully collateralized by means of securities. This kind of payment commitment needs to be deducted from CET1 capital of the Group according to ECB requirements in conjunction with the EBA Guideline (EBA/GL/2015/09)¹⁵. Furthermore, for the first time (in May 2019) SSB Intl GmbH has given an irrevocable and non-cancellable payment commitment towards the SRF amounting to EUR 3.2mn. This payment commitment has been fully collateralized by means of cash collateral. Again, this kind of payment commitment also needs to be deducted from CET1 capital according to ECB requirements.

There are no further items in terms of deductions and corrections to be disclosed according to Art. 437 (1) d) CRR for the Group.

¹³ Established by Regulation (EU) No 806/2014 (SRM Regulation) the SRF is owned by the Single Resolution Board (SRB), an agency of the EU domiciled in Brussels and which was founded based on Art. 42 (EU) No 806/2014. The SRF can be used to allow the SRB to apply its resolution tools and powers effectively and efficiently

¹⁴ Regulation in addition to the CRR with regard to regulatory technical standards for prudent valuation under Art. 105 (14) CRR

¹⁵ Guidelines on payment commitments under Directive 2014/49/EU on deposit guarantee schemes

Structure of the Own funds of SSB Intl GmbH

As shown in Table 5, the total capital mainly consists of CET 1 capital. Tier 2 capital components only contribute to a small extent. As of reporting date, the CET 1 capital ratio of SSB Intl GmbH amounts to 32.2% and the Total Capital Ratio to 33.6%.

Tier 1 Capital

The CET 1 capital of the Bank is composed of subscribed capital, other reserves as well as the funds for general banking risks in accordance with Sec. 340g HGB.

Since the last disclosure of the own funds of SSB Intl GmbH as of December 31, 2018, the CET 1 capital increased by EUR 143mn. Of this increase, EUR 111mn resulted from the contribution of SSB France into SSB Intl GmbH within the merger activities (please refer to chapter 2.2) and EUR 39mn resulted from the approval of the financial statements for 2018 and the corresponding reduction of deduction items for intangible assets (including goodwill) with a countervailing effect from increased irrevocable payment commitments (EUR 7mn).

With respect to the prudential filters according to Art. 34 CRR, we refer to the above mentioned explanations for SSEHG Group which also apply for SSB Intl GmbH. Deductions from CET1 capital, pursuant to Art. 36 (1) b) CRR, consist of intangible assets, including the goodwill recorded in the books of the former SSB S.p.A., which has been transferred to SSB Intl GmbH in the course of the merger of SSB S.p.A. into SSB Intl GmbH. All other prudential deductions (defined-benefit pension fund assets, irrevocable payment commitments) have the same amounts as on Group level with the exception of the loss for the current financial year (as the GmbH is a profit making entity).

There are no further items in terms of deductions and corrections to be disclosed according to Art. 437 (1) d) CRR for SSB Intl GmbH.

Capital instruments both at SSEHG Group and SSB Intl GmbH level fulfil the conditions described in Art. 28 CRR with respect to the eligibility of CET 1 capital instruments.

Tier 2 Capital

The Bank has issued Tier 2 capital pursuant to Art. 63 CRR in the form of long-term subordinated obligations. These obligations result from a sub-ordinated loan in the amount of nominal kEUR 100,000 and an interest rate of 7.75% p.a. initially granted by SSEHG KG to SSB Intl GmbH. The contractual term of the sub-ordinated loan ends on August 25, 2038. The conditions regarding the eligibility of Tier 2 capital instrument according to Art. 63 CRR are fulfilled at the level of the Bank.

The following table presents the Own funds of the Group and Bank according to Part 2, Title I to III CRR as of June 30, 2019:

Table 5: Own funds of SSEHG Group and SSB Intl GmbH according to Art. 437 (1) d) and e) CRR i.c.w. Commission Implementing Regulation (EU) No 1423/2013

No	Disclosure of Own funds	CRR ref.	SSEHG Group	SSB Intl GmbH
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	26 (1), 27, 28, 29, EBA list 26 (3)	1,000	109,267
	of which: subscribed capital		1,000	109,267
3	Accumulated other comprehensive income (and other reserves)	26 (1)	3,808,138	2,155,121
3a	Funds for general banking risk	26 (1) (f)	82,000	82,000
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments		3,891,138	2,346,389
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	34, 105	-3	-3
8	Intangible assets (net of related tax liability) (negative amount)	36 (1) (b), 37, 472 (4)	-482,008	-70,694
15	Defined-benefit pension fund assets (negative amount)	36 (1) (e), 41, 472 (7)	-56	-56
25a	Losses for the current financial year (negative amount) ¹⁶	36 (1) (a), 472 (3)	-670,908	-
27a	other regulatory adjustments		-10,638	-10,638
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)		-1,163,613	-81,391
29	Common Equity Tier 1 (CET1) capital		2,727,525	2,264,998
44	Additional Tier 1 (AT1) capital		-	-
45	Tier 1 capital (T1 = CET1 + AT1)		2,727,525	2,264,998
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	62, 63	-	100,000
51	Tier 2 (T2) capital before regulatory adjustments		-	100,000
Tier 2 (T2) capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 (T2) capital		-	-
58	Tier 2 (T2) capital		-	100,000
59	Total capital (TC = T1 + T2)		2,727,525	2,364,998
60	Total RWA		6,870,945	7,033,268
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	92 (2) (a), 465	39.7	32.2
62	Tier 1 (as a percentage of risk exposure amount)	92 (2) (b), 465	39.7	32.2
63	Total capital (as a percentage of risk exposure amount)	92 (2) (c)	39.7	33.6
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	CRD 128, 129, 130	7.1 (rounded)	7.1 (rounded)
65	of which: capital conservation buffer requirement		2.5	2.5
66	of which: countercyclical buffer requirement		0.07	0.06
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	CRD 128	32.6	25.1
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings by the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	3,090	3,090
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (i), 45, 48, 470, 472 (11)	10,270	120,778

¹⁶ Consisting of the loss of the current financial year (EUR 46.6mn) and the loss carried forward from previous years (EUR 624.3mn)

The Bank's CET 1 Capital Ratio and Tier 1 Capital Ratio amounted to 32.2% at reporting date compared to 33.2% on December 31, 2018. The Total Capital Ratio decreased from 34.8% on December 31, 2018 to 33.6%. All relevant capital ratios of the Group increased from 38.0% to 39.7%.

Both, the Group and the Bank have had a comfortable capitalization for years, which reflects the strength and solidity of SSB Intl GmbH. The regulatory ratios for the Group and the Bank are on an excellent level compared to national and international competitors. Subsequently, they are also well above the legal minimum requirements respectively the minimum requirements required by the ECB.

The capital conservation buffer is legally set to 2.5% of the total RWA according to Art. 92 (3) CRR and was implemented gradually since January 1, 2016. Since January 1, 2019 the capital conservation buffer is set to 2,5% of the RWA (1,875% as of December 31, 2018).

Since January 1, 2016 an institution specific countercyclical buffer is required. It is calculated as the product of the total RWA according to Art. 92 (3) CRR and the weighted average of the ratios of the country specific countercyclical buffer for countries with significant credit risk positions. On the reporting date the ratio amounted to 0.07% (EUR 4.6mn) on Group level and 0.06% (EUR 4.4mn) on Bank level, compared to 0.05%¹⁷ on December 31, 2018 respectively. This increase is mainly due to the overall increase in total RWA (cf. chapter 5.3) and rather less due to changes of applicable countercyclical buffer rates in the respective countries that changed their rates in the first six months of the year. Nevertheless, the overall size of the countercyclical buffer remains insignificant. The detailed calculation as well as the geographical distribution of the relevant credit risk positions are disclosed on an annual basis at year end.

As SSEHG Group does not publish any semi-annual or interim financial statements according to HGB, the reconciliation of own funds to the audited financial statements according to Art. 437 (1) a) CRR will be omitted as of the reporting date. Regarding the disclosure of the full terms and conditions of the CET1 and Tier 2 capital instruments according to Art. 437 (1) c) CRR, a reference is made to the Disclosure Report of the SSEHG Group as of December 31, 2018 (Section 4, "Own Funds and own funds requirements").

The difference between Group and Bank level in the direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities is related to the France merger activities and the respective interim steps until end of June 2019 (cf. chapter 2.2).

5.2 Own funds and eligible liabilities (Art. 437a CRR)

On November 9, 2015 the Financial Stability Board "FSB" published the TLAC Term Sheet (henceforth "TLAC standard") which was endorsed by the G20 at the November 2015 summit in Turkey. The TLAC standard requires global systemically important banks ("G-SIBs"), to hold a sufficient amount of highly loss absorbing (bail-inable) liabilities to ensure smooth and fast absorption of losses and recapitalization in the event of a resolution.

With the amendment of the CRR, the TLAC standard has been implemented in Union law (henceforth "EU TLAC standard") and became effective as of June 27, 2019. This applies to resolution entities which are either themselves G-SIBs or are part of a group identified as a G-SIB. Based on the first time application of the EU TLAC standard credit institutions have to comply with additional disclosure requirements according to Art. 13 (2), 433a (3) CRR i.c.w. Art. 437a CRR and Art. 447 (h) CRR by June 30, 2019 which are outlined in the following.

¹⁷ EUR 3.5mn on Group level and EUR 3.4mn on Bank level

As SSEHG KG is a material subsidiary and an EU parent undertaking of a non-EU global systemically important institution (non-EU G-SII) it meets the requirement according to Art. 6 and 11 (3a) CRR and has to fulfill the EU TLAC requirements according to Art. 92b CRR on a consolidated basis. All other entities or institutions (SSB Intl GmbH) of SSEHG Group are not in scope of the EU-TLAC requirements.

SSEHG Group is required to meet a risk-based TLAC ratio calculated as 90% of 16% of TREA and a non-risk based TLAC ratio calculated as 90% of 6% of LREM at sub-consolidated level pursuant to Art. 92b CRR i.c.w. Art. 494 (1) CRR at all times from June 27, 2019 until December 31, 2021. Consequently, SSEHG Group has to fulfill a risk-based TLAC ratio (TREA) of 14.4% and a non-risk based TLAC ratio (LREM) of 5.4% whereby the higher amount of both ratios have to be adhered to¹⁸. Based on the TLAC ratios as of June 30, 2019 for SSEHG Group with 39.7% (TREA) and 6.6% (LREM) respectively, the minimum internal TLAC requirements are fulfilled.

The composition of own funds of SSEHG Group and their main features acc. to Art. 437a (a) CRR have not changed since December 31, 2018 and can be found in the Disclosure Report of SSEHG Group as of December 31, 2018 (Section 4: "Own funds and own funds requirements") and the consolidated financial statements of SSEHG Group as of December 31, 2018 (published in the Federal Gazette).

Article 437a (a) to (d) CRR are not applicable with regards to eligible liabilities as of June 30, 2019 as SSEHG Group does not have eligible liabilities. Thus, the TLAC ratios of SSEHG Group are identical with the respective capital ratios as well as the Leverage Ratio.

5.3 Own funds requirements for SSEHG Group and SSB Intl GmbH (Art. 438 CRR)

For the determination of the regulatory capital requirements at the level of the SSEHG Group and SSB Intl GmbH, the Bank uses in accordance with the CRR the respective standardised approaches since January 1, 2008, i.e. the Credit Risk Standardised Approach, the Standardised Approach for Market and Settlement Risks, the Standardised Approach for Operational Risks as well as the Standardised Approach for Credit Valuation Adjustment risks ("CVA risk") according to CRR.

The RWA increased in the first half-year by EUR 489mn (7.7% respectively) for the Group and by EUR 641mn (10.0% respectively) compared to December 31, 2018. This increase results mainly from increased credit risk in the exposure class "Corporates" due to the further expansion of the European Leveraged Loan Portfolio for both the Group and the Bank. The portfolio volume (before risk provisioning) increased in the first half-year from EUR 1.9bn to EUR 2.2bn (divided into EUR 2.1bn on-balance sheet items and EUR 0.1bn off-balance sheet items).

Furthermore, the RWA increase at SSB Intl GmbH is also affected by the exposure class "Equity positions" due to the consideration of SSB France (please refer to chapter 2.2) which leads to an RWA increase of EUR 276mn (risk-weight of 250% according to Art. 48 (4) CRR). The remaining changes are due to an increased volume of client overdrafts as well as a higher volume on settlement accounts for securities transactions.

¹⁸ This requirement will increase as of January 1, 2022 to 16.2% (calculated as 90% of 18% TREA) and 6.075% (90% of 6.75% LREM) respectively

On January 1, 2019 entered into force EU Regulations (EU) 2017/2401¹⁹ and (EU) 2017/2402²⁰, laying out the new securitisation framework. SSEHG Group and SSB Intl GmbH apply the Securitisation External Ratings Based Approach (henceforth "SEC-ERBA") in order to calculate RWA. The RWA subject to the new framework amounted to EUR 36mn for six securitisation positions issued in 2019 as of reporting date. All of these are simple, transparent and standardised ("STS") securitisations. Securitisations which existed before January 1, 2019 are subject to 'grandfathering' provisions and will be transferred to the new framework on January 1, 2020.

The volume of the investment portfolio of the Group increased in the first half-year of 2019 by EUR 1,731mn to EUR 14,311mn (book value). The amount of securitisations decreased from EUR 1,867mn by EUR 302mn to EUR 1,565mn.

¹⁹ Regulation amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms

²⁰ Regulation laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012

The following table presents the Group's and the Bank's RWA amounts as well as own funds requirements for all risk types mentioned above as of June 30, 2019. Own funds requirements for Credit Risks are broken down by exposure classes in accordance with Art. 112 CRR:

Table 6: Own funds requirements according to Art. 438 c), e) and f) CRR, 445 CRR and Art. 446 CRR i.c.w. BaFin circular 5/2015 (BA), Section 23 b of SSEHG Group and SSB Intl GmbH

Exposure Class/ Risk exposure	SSEHG Group		SSB Intl GmbH	
	RWA	Own funds requirements	RWA	Own funds requirements
Central governments or central banks	4,278	342	4,278	342
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions ²¹	349,969	27,998	332,234	26,579
Corporates	3,995,830	319,666	3,973,740	317,899
Retail exposures	-	-	-	-
Exposures secured by mortgages on immovable property	-	-	-	-
Exposures in default	-	-	-	-
Exposures associated with particularly high risk	-	-	-	-
Covered bonds	35,173	2,814	35,197	2,816
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-
Collective Investment Undertakings (CIUs)	3,090	247	3,090	247
Equity exposures	25,675	2,054	301,944	24,156
Other items	451,402	36,112	437,572	35,006
Securitisations ²¹	353,875	28,310	353,562	28,285
<i>of which: issued before January 1, 2019</i>	317,405	25,392	317,093	25,367
<i>of which: issued after January 1, 2019</i>	36,469	2,918	36,469	2,918
Credit Risks	5,219,293	417,543	5,441,618	435,329
Position risks in traded debt instruments	53	4	53	4
<i>of which: general interest rate risks</i>	53	4	53	4
<i>of which: specific interest rate risks</i>	-	-	-	-
<i>of which: for non-securitisation debt instruments</i>	-	-	-	-
<i>of which: for securitisation debt instruments</i>	-	-	-	-
Equity risks	-	-	-	-
Foreign Exchange Risks	-	-	-	-
Commodities Risks	-	-	-	-
Large exposures exceeding the limits	-	-	-	-
Market Risks	53	4	53	4
Settlement Risks	-	-	-	-
Operational Risks	1,622,246	129,780	1,562,244	124,979
Credit Valuation Adjustment Risks (CVA Risks)	29,353	2,348	29,353	2,348
Total	6,870,945	549,676	7,033,268	562,661

²¹ Due to the different acquisition date of the securities at the consolidated and standalone level, own funds requirements for securitisation positions under the standardized approach are partly divergent between SSEHG Group and SSB Intl GmbH

6 Leverage Ratio (Art. 451 CRR)

The Leverage ratio is defined as the "capital measure" divided by the "exposure measure" and is expressed as a percentage. The capital measure is currently defined as Tier 1 capital. In the current transitional period, the Basel Committee on Banking Supervision determined a minimum Leverage Ratio of 3%²².

The calculation of the Leverage Ratio is based on the Commission Delegated Regulation (EU) 2015/62, which amends the CRR with regard to the Leverage Ratio. As of the reporting date, the ratio has been calculated based on this regulation both at SSEHG Group consolidated and SSB Intl GmbH individual level.

Development of the Leverage Ratio

As of the reporting date, the Leverage Ratio of SSEHG Group increased from 5.5% to 6.6% and from 4.8% to 5.4% at SSB Intl GmbH compared to December 31, 2018.

The change of the ratio both on consolidated and individual basis is mainly driven by the increase of the Tier 1 capital. Thus, the Tier 1 capital increased by EUR 302mn for SSEHG Group and by EUR 143mn for SSB Intl GmbH (please refer to chapter 5.1). Furthermore the decrease of the total Leverage Ratio exposures from EUR 43,715mn as of December 31, 2018, to EUR 41,564mn as of June 30, 2019 for SSEHG Group and from EUR 44,337mn as of December 31, 2018 to EUR 41,957mn as of June 30, 2019 for SSB Intl GmbH contributed to the increase of the Leverage Ratio.

A major factor for the decrease of the Leverage Ratio exposures at both levels was driven by the reduction of customer deposits compared to December 31, 2018 (decrease by EUR 3,930mn). Consequently, corresponding assets towards credit institutions decreased as well (mainly assets against group related companies like State Street Bank and Trust Company, SSBT).

Table 7: Leverage Ratio according to the Delegated Regulation (EU) 2015/62

		SSEHG Group	SSB Intl GmbH
Capital and total exposures			
20	Tier 1 capital	2,727,525	2,264,998
21	Leverage ratio total exposures	41,564,550	41,957,168
22	Leverage ratio	6.6%	5.4%

²² The minimum requirement for the leverage ratio acc. to Art. 92(d) CRR will be binding as of June 28, 2021

7 Remuneration (Art. 450 CRR and Section 16 InstitutsVergV)

Within the SSEHG Group, SSB Intl GmbH is the only credit institution and is an employing entity. As of April 1, 2019, SSHG is also an employing entity. SSHG uses the same remuneration system as SSB Intl GmbH so no new remuneration arrangements have been developed.

The most significant change of the remuneration system occurring between January 1, 2019 and June 30, 2019 was the introduction of enhancements to the performance management approach for EU Identified Staff (“EUIS”)²³ applying from the 2019 performance year. With the enhanced approach, goals for EUIS have to be set at the level of the institution or group, business unit or functional unit and individual level with each of these levels being weighted equally. Furthermore, EUIS are required to set both quantitative and qualitative goals as well as add specific percentage weightings to each goal.

For EMB members, goals are also set at the level of the institution or group, as well as at the level of the business unit/functional unit and individual level. However, the individual and business unit goals are merged into one set of goals in accordance with the enhanced performance management approach. Like with EUIS, the goals are both quantitative and qualitative goals with appropriate weightings. Moreover, throughout all levels both multi-year and single-year goals have been established with a higher weighting put on the multi-year goals.

8 Other Information

The following section reflects further quantitative and qualitative information on other items prone to rapid changes and on those items covered by Part 8 CRR that have experienced significant changes during the reporting period.

Risk Management (Art. 435 (1) e) and f) CRR)

The declaration on the adequacy of risk management arrangements according to Art. 435 (1) e) CRR as well as the concise risk statement according to Art. 435 (1) f) CRR are still valid.

In the first half-year of 2019, the results of the annual Internal Capital Adequacy Assessment Process (“ICAAP”) cycle have been finalized. Based on the results, no significant changes in the risk profile of the Group have been determined.

The multiannual capital planning based on the Business Strategy confirmed the comfortable capitalization of the Group/Bank also under consideration of the stress test results. In consequence, the Bank maintains a comfortable buffer of available capital.

During the first half-year of 2019 the Risk Taking Potential of the Group and the Bank was ensured at all time (please refer to Table 8 and Table 9). On Group level the utilization of the existing Risk Taking Potential by the Pillar 1 and Pillar 2 risks within the Accounting View was at 35% as of June 30, 2019. For the Bank, the respective utilization was at 42%. In the Economic View, in which only Pillar 2 risks are quantified, the utilization of the Group was at 40% while it was at 48% for the Bank. Thus, capital utilization has reduced since year end 2018.

²³ Company internal nomenclature for material risk takers in accordance with Regulation (EU) No 604/2014

The following tables show the Group's/Bank's Risk Taking Potentials, the amounts of regulatory minimum requirements (including Pillar 1) and material Pillar 2 risks, and the resulting available capitals in both the Accounting and Economic View as per June 30, 2019:

Table 8: Pillar 2 risk amounts and available capital in the Accounting and Economic View for SSEHG Group

	Accounting View	Economic View
Risk Taking Potential	2,865,243	3,027,130
Regulatory minimum requirements (12.5% of RWA + Countercyclical capital buffer, CCyB)	867,382	-
Material risk types	Pillar 2 risk amount	
Interest Rate Risk	54,845	276,283
FX Risk	4,879	9,330
Credit Risk	45,203	314,100
Credit Spread Risk	-	429,118
Operational Risk	-	120,853
Strategic Risk	16,572	57,750
Total	121,499	1,207,434
Available Capital	1,876,362	1,819,696

Table 9: Pillar 2 risk amounts and available capital in the Accounting and Economic View for SSB Intl GmbH

	Accounting View	Economic View
Risk Taking Potential	2,385,070	2,447,519
Regulatory minimum requirements (12.5% of RWA + Countercyclical capital buffer, CCyB)	880,904	-
Material risk types	Pillar 2 risk amount	
Interest Rate Risk	54,845	245,980
FX Risk	4,879	9,330
Credit Risk	47,270	308,597
Credit Spread Risk	-	429,118
Operational Risk	-	120,853
Strategic Risk	16,572	57,750
Total	123,566	1,171,628
Available Capital	1,380,600	1,275,891

Credit risk adjustments (Art. 442 CRR)

As per the reporting date, general loan loss provisions (henceforth “GLLP”) amounting to EUR 25.3mn have been made on receivables from the European Leveraged Loans Portfolio. GLLP have been deducted on the asset side from loans and advances to customers. Besides, specific loan loss provisions of EUR 2.7mn for the European Leveraged Loan portfolio have been recorded at Group and Bank level²⁴.

Furthermore, SSB Intl GmbH entered into European Leveraged Loans by a volume of EUR 137mn, which have not been drawn as per the reporting date, for that those items are recognized off balance as at June 30, 2019. As per the reporting date, provisions for those off-balance sheet positions have been recognized amounting to EUR 3.3mn according to Sect. 249 (1) HGB.

Unencumbered Assets (Art. 443 CRR)

The encumbrance ratio of SSEHG Group’s assets decreased from 4.1% as per December 31, 2018 to 2.6% as per June 30, 2019 and therefore remains on a low level.

The median encumbrance ratio was 5.6% in 2018 and 3.4% in June 2019. The values are determined by interpolation using the rolling quarterly medians over the previous 12 months²⁵.

²⁴ The amount of credit value adjustments and provisions is equal both on the level of SSEHG Group and SSB Intl GmbH. They are classified as Specific Credit Risk Adjustments according to Commission Delegated Regulation (EU) No. 183/2014 for specifying the calculation of specific and general credit risk adjustments. There are still no general credit risk adjustments. Regarding additional comments, especially for the identification of the amounts of the specific credit risk adjustments and their inclusion on Group and Bank level, in particular for the purpose of Art. 111 CRR, we refer to the Disclosure Report of the SSEHG Group as of December 31, 2018 (Chapter 5.4: “Credit Risk Adjustments (Art. 442 CRR)”).

²⁵ For further information we refer to the Disclosure Report of the SSEHG Group as of December 31, 2018 (Chapter 6 “Unencumbered assets (Art. 443 CRR)”).

9 Glossary

acc.	according
Art.	Article
AT 1	Additional Tier 1 Capital
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BdB	Bundesverband deutscher Banken (Association of German banks)
bn	Billion
CET 1	Common Equity Tier 1
cf.	confer/conferatur (compare)
CIU	Collective Investment Undertakings
Co.	Corporation
CRD IV	Capital Requirements Directive IV (Directive 2013/36/EU)
CRR	Capital Requirements Regulation (EU No. 575/2013)
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECB	European Central Bank
EU	European Union
EUIS	EU Identified Staff
EUR	Euro
FSB	Financial Stability Board
GmbH	Limited under German law
GL	Guideline
G-SIB	Global systemically important banks
G-SII	Global systemically important institution
GLLP	General loan loss provisions
HGB	Handelsgesetzbuch (German Commercial Code)
ICAAP	Internal Capital Adequacy Assessment Process
i.c.w.	in conjunction with
i.e.	id est (that is)
KEUR	Thousand Euro
LCR	Liquidity Coverage Ratio
LLC	Limited Liability Company
LREM	Leverage Ratio Exposure Measure
mn	Million
No.	Number
NYSE: STT	New York Stock Exchange: State Street Corporation
p.a.	per annum
RWA	Risk Weighted Assets
S.à r.l.	Société à responsabilité limitée (Luxembourgian limited company)
Sec.	Section
Sent.	Sentence
S.p.A.	Società per Azioni (Corporation)
SRB	Single Resolution Board
SRF	Single Resolution Funds

SRM	Single Resolution Mechanism
SSB France	State Street Banque S.A.
SSB Intl GmbH	State Street Bank International GmbH
SSEHG Group	State Street Europe Holdings Germany Group
SSEHG KG	State Street Europe Holdings Germany S.à r.l. & Co. KG
SSHG	State Street Holdings Germany GmbH
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Capital
TLAC	Total loss-absorbing capacity
TREA	Total Risk Exposure Amount (RWA)
US	United States
USD	United States Dollar

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