

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

Consolidated Disclosure Report

According to Part 8 CRR

As of June 30, 2018



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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”) which came into force on January 1, 2014.

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 “Circular”), the national implementation of the EBA Guidelines<sup>1</sup>, 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 institutions in accordance with Art. 11 (2) Sent. 2 CRR, prepares this consolidated Disclosure Report for the Group.

As SSEHG Group fulfills the above mentioned criteria with total assets of approximately EUR 44bn as of June 30, 2018 (henceforth “reporting date”), a consolidated Disclosure Report is being disclosed more frequently than annually.

Due to the fact that the total balance sheet of SSB Intl GmbH also exceeds the threshold of EUR 30bn, SSB Intl GmbH fulfills with this same report the disclosure requirements as a significant subsidiary of SSEHG KG pursuant to Art. 13 (2) CRR i.c.w. the above mentioned Circular. Accordingly, specific information is published also on an individual level for SSB Intl GmbH.

This Disclosure Report of SSEHG Group aims to fulfil the prudential transparency rules to allow market participants to evaluate capital adequacy and risk profile 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”).

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<sup>1</sup> On materiality, proprietary and confidentiality and on disclosure frequency under Art. 432 (1), 432 (2), and 433 CRR of EBA/GL/2014/14

The figures<sup>2</sup> in this report are based on the internal monthly financial statement as of June 30, 2018 and are therefore consistent with the regulatory reports. Additionally, in case of any ambiguity in the descriptions contained in this report, the German version of this report is binding.

## 2 General Information

### 2.1 Group background (Art. 436 CRR)

The structure of the SSEHG Group did not change since December 31, 2017 and consists still of the following entities as of the reporting date:

- State Street Europe Holdings Germany S.à r.l. & Co. KG, Munich, Germany
- State Street Europe Holdings Luxembourg S.à r.l., Luxembourg, Luxembourg
- State Street Holdings Germany GmbH, Munich, Germany
- State Street Bank International GmbH, Munich, Germany
- State Street Finanz GmbH, Zurich, Switzerland

### 2.2 Business Model

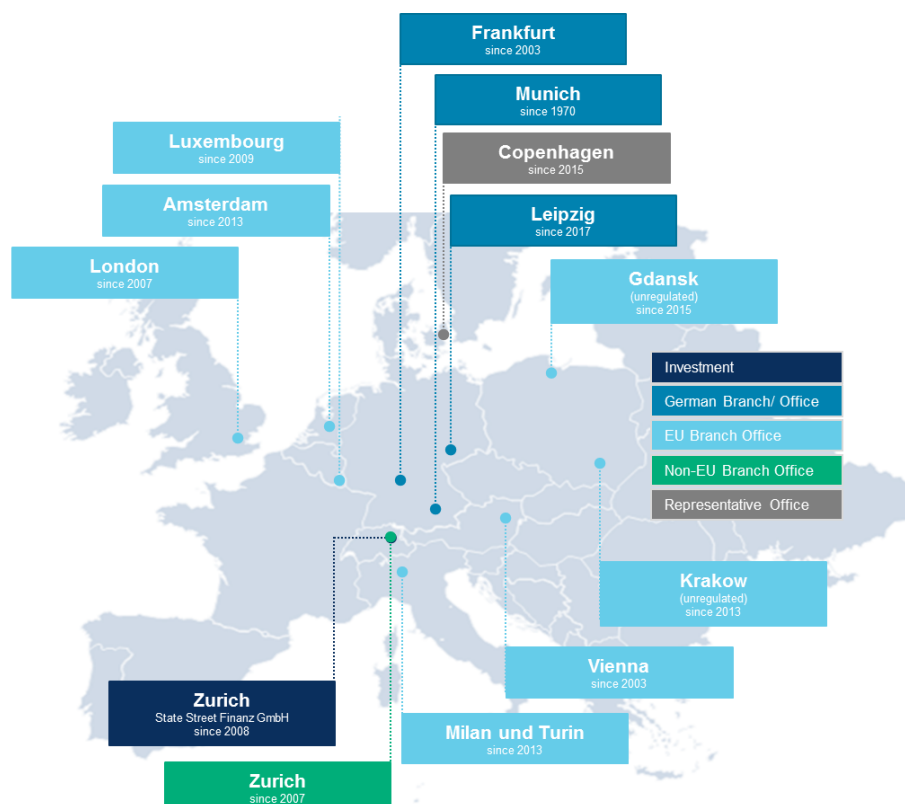
As the operation of the Group is essentially affected by the only credit institution of the Group, SSB Intl GmbH, the following section presents an overview on the business model and development of the Bank.

SSB Intl GmbH, Munich, 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 2018 SSB Intl GmbH, with its headquarters in Munich, maintained a domestic branch in Frankfurt am Main, an office in Leipzig, a non-EU 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 6,228 as the first-half average.

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<sup>2</sup> Quantitative data presented in this report may show differences due to rounding.

Illustration 1: Geographical distribution of investments, 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 consists primarily of custody-only business, the related custody bank business/custodian activities including reporting services for asset managers and supporting activities for the middle and back office of investment management companies.

Moreover, its registered activities include:

- Rendering securities services in the form of i.e. futures commission merchant business
- Agent Fund Trading
- Proprietary trading in forward exchange transactions
- Proprietary trading in the enhanced custody business, as an agent for securities lending
- Managing the 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 leveraged loans. Moreover, it offers supplementary services, such as reporting, performance evaluation, and risk analyses, which are becoming increasingly important on the market. The branches in Krakow and Danzing render 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 course of the fiscal year by Standard & Poor's Financial Services LLC, New York, USA.

### 3 Own funds and own funds requirements

#### 3.1 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 34.86% as of June 30, 2018.

The CET 1 capital of the Group is composed of limited partner’s capital, the difference by the group result in comparison to the parent company as well as the funds for general banking risks in accordance with Sec. 340g HGB. Since the last disclosure as of December 31, 2017, the CET 1 capital of the Group increased slightly by EUR 36mn.

Prudential filters according to Art. 34 CRR i.c.w. Art. 105 CRR represent 0.1% of the Group’s assets measured at fair value according to the simplified approach of the Delegated Regulation (EU) 2016/101<sup>3</sup>. Deductions from the CET 1 capital, pursuant to Art. 36 (1) a), b), and e) CRR, consist of the loss of the financial year 2017 resulting from the merger of several European State Street Entities into the SSEHG Group, as well as intangible assets, including the goodwill which is arising from the restructuring of the incorporated companies. There are no further separate items in terms of deductions to be disclosed according to Art. 437 (1) d) CRR.

##### Structure of the Own funds of SSB Intl GmbH

As shown in the table below, the total capital mainly consists of CET 1 capital. Tier 2 capital components contributes only to a small extend. The CET 1 capital ratio of SSB Intl GmbH as of reporting date amounts to 33.47% and the Total Capital Ratio to 35.05%.

##### 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, 2017, the CET 1 capital increased following the approval of the Financial Statements for 2017 by EUR 59mn. This rise results mainly from the regular amortization of intangible assets and the consequently lower capital deduction items as well as from additions to the funds for general banking risks. Neither the subscribed capital, nor the other reserves have changed since the last reporting date (December 31, 2017).

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 CET 1 capital, pursuant to Art. 36 (1) b) CRR, consist of intangible assets, including the goodwill recorded in the books of the former State Street Bank S.p.A., which has been transferred to SSB Intl GmbH in the course of the merger of State Street Bank S.p.A. into SSB Intl GmbH. The deductions according to Art. 34 and 105 CRR concern 0.1% of the financial assets measured at fair value of non-significant shares of pension funds.

Capital instruments both at SSEHG Group and SSB Intl GmbH level fulfil the conditions described in Art. 28 CRR in 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 EUR 100mn and an interest rate of 7.75% p.a. initially granted by State Street Europe Holdings Luxembourg S.à r.l. to SSB Intl GmbH. The contractual term of

<sup>3</sup> Regulation in addition to the CRR with regard to regulatory technical standards for prudent valuation under Art. 105 (14) CRR

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, 2018:

**Table 1: Own funds and capital ratios according to Art. 437 CRR**

| No.  | Disclosure of Own funds  | CRR ref.                               | SSEHG Group<br>(in kEUR) | SSB Intl GmbH<br>(in kEUR) | SSEHG Group and<br>SSB Intl GmbH * |
|--|--|--|--------------------------|----------------------------|------------------------------------|
| <b>Common Equity Tier 1 capital: instruments and reserves</b>      |  |  |                          |                            |                                    |
| 1  | Capital instruments and the related share premium accounts   | 26 (1), 27, 28, 29,<br>EBA list 26 (3) | 1,000                    | 109,267                    | -                                  |
|  | of which: subscribed capital   | EBA list 26 (3)                        | 1,000                    | 109,267                    | -                                  |
| 3  | Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)  | 26 (1)                                 | 3,697,630                | 2,044,615                  | -                                  |
| 3a   | Funds for general banking risk   | 26 (1) (f)                             | 82,000                   | 82,000                     | -                                  |
| 6  | <b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>   |  | <b>3,780,630</b>         | <b>2,235,882</b>           | <b>-</b>                           |
| <b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b> |  |  |                          |                            |                                    |
| 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)                | -1,002,954               | -109,879                   | -                                  |
| 15   | Defined-benefit pension fund assets (negative amount)  | 36 (1) (e), 41, 472 (7)                | -203                     | -203                       | -                                  |
| 25a  | Losses for the current financial year (negative amount)  | 36 (1) (a),<br>472 (3)                 | -562,974                 | -                          | -                                  |
| 28   | <b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>   |  | <b>-1,566,134</b>        | <b>-110,086</b>            | <b>-</b>                           |
| 29   | <b>Common Equity Tier 1 (CET1) capital</b>   |  | <b>2,214,497</b>         | <b>2,125,796</b>           | <b>-</b>                           |
| 44   | <b>Additional Tier 1 (AT1) capital</b>   |  | <b>-</b>                 | <b>-</b>                   | <b>-</b>                           |
| 45   | <b>Tier 1 capital (T1 = CET1 + AT1)</b>  |  | <b>2,214,497</b>         | <b>2,125,796</b>           | <b>-</b>                           |
| <b>Tier 2 (T2) capital: instruments and provisions</b>             |  |  |                          |                            |                                    |
| 46   | Capital instruments and the related share premium accounts   | 62, 63                                 | -                        | 100,000                    | -                                  |
| 51   | <b>Tier 2 (T2) capital before regulatory adjustments</b>   |  | <b>-</b>                 | <b>100,000</b>             | <b>-</b>                           |
| <b>Tier 2 (T2) capital: regulatory adjustments</b>                 |  |  |                          |                            |                                    |
| 57   | <b>Total regulatory adjustments to Tier 2 (T2) capital</b>   |  | <b>-</b>                 | <b>-</b>                   | <b>-</b>                           |
| 58   | <b>Tier 2 (T2) capital</b>   |  | <b>-</b>                 | <b>100,000</b>             | <b>-</b>                           |
| 59   | <b>Total capital (TC = T1 + T2)</b>  |  | <b>2,214,497</b>         | <b>2,225,796</b>           | <b>-</b>                           |
| 60   | <b>Total risk weighted assets</b>  |  | <b>6,352,636</b>         | <b>6,350,758</b>           | <b>-</b>                           |
| <b>Capital ratios and buffers</b>                                  |  |  |                          |                            |                                    |
| 61   | <b>Common Equity Tier 1 (as a percentage of risk exposure amount)</b>  | 92 (2) (a), 465                        | <b>34.86</b>             | <b>33.47</b>               | <b>-</b>                           |
| 62   | <b>Tier 1 (as a percentage of risk exposure amount)</b>  | 92 (2) (b), 465                        | <b>34.86</b>             | <b>33.47</b>               | <b>-</b>                           |
| 63   | <b>Total capital (as a percentage of risk exposure amount)</b>   | 92 (2) (c)                             | <b>34.86</b>             | <b>35.05</b>               | <b>-</b>                           |
| 64   | Institution specific buffer requirement (CET1 requirement in accordance with Art. 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                      | 6.411                    | 6.411                      | -                                  |
| 65   | of which: capital conservation buffer requirement  |  | 1.875                    | 1.875                      | -                                  |
| 66   | of which: countercyclical buffer requirement   |  | 0.036                    | 0.036                      | -                                  |
| 67   | of which: systemic risk buffer requirement   |  | 0.00                     | 0.00                       | -                                  |
| 67a  | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer   | CRD 131                                | 0.00                     | 0.00                       | -                                  |
| 68   | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)   | CRD 128                                | 30.36                    | 28.97                      | -                                  |



| No.   | Disclosure of Own funds   | CRR ref.   | SSEHG Group<br>(in kEUR) | SSB Intl GmbH<br>(in kEUR) | SSEHG Group and<br>SSB Intl GmbH * |
|---|---|--|--------------------------|----------------------------|------------------------------------|
| <b>Amounts below the thresholds for deduction (before risk weighting)</b>   |   |  |                          |                            |                                    |
| 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) | 3,008                    | 3,008                      |                                    |
| 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)  | 9,940                    | 9,940                      |                                    |
| * Amounts subject to pre-CRR treatment or prescribed residual amount of CRR |   |  |                          |                            |                                    |

The Bank's CET 1 Capital Ratio and Tier 1 Capital Ratio amounted to 33.47% at reporting date compared to 41.50% on December 31, 2017. The Total Capital Ratio decreased from 43.50% on December 31, 2017 to 35.05%. All relevant capital ratios of the Group decreased from 43.71% to 34.86%. The changes on Bank and Group level are primarily due to an increase in own funds requirements for credit risk (cf. Chapter 3.2).

Both, the Group and the Bank have had an 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 risk-weighted assets (henceforth "RWA") according to Art. 92 (3) CRR and is implemented gradually since January 1, 2016. From January 1, 2018 to December 31, 2018 the capital conservation buffer is set to 1.875% of the RWA (1.250% as of December 31, 2017).

Since January 1, 2016 an institution specific countercyclical buffer is required. It is calculated as the product of the 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 was amounted to 0.036% (EUR 2.3mn) compared to 0.021% (EUR 1.0mn) on December 31, 2017 on Group and Bank level. This increase is mainly due to the increase in RWA (cf. Chapter 3.2) and to a smaller extend by the first time introduction of a countercyclical buffer in Great Britain and Northern Ireland (0.5%) and the planned increase from 1.250% to 1.875% in Hong Kong. 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, 2017 (Section 4, "Own Funds and own funds requirements").

### 3.2 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 according to CRR.

The RWA increased in the first six months by EUR 1,368mn for the Group and by EUR 1.371mn for the Bank and therefore by 27.5% on Group and Bank level compared to December 31, 2017. This increase results mainly

(EUR 1,137mn) from credit risk in the exposure classes Corporates and Others. In the second quarter 2018 the portfolio expansion for the European Leveraged Loan portfolio (Risk weight 100% according to Art. 122 CRR) led to an increase of the on-balance sheet exposures of EUR 250mn to EUR 501mn and off-balance sheet exposures of EUR 434mn to EUR 548mn (cf. chapter 6). In June 2018 USD denominated leveraged loans were acquired for the first time. The remaining changes are due to an increased volume of client overdrafts as well as a higher volume on settlement accounts for securities transactions, which expose a significantly lower volume at year end than during the year.

The volume of the investment portfolio of the Group increased in the first half of 2018 by EUR 2,275mn to EUR 12,580mn (book value). The amount of securitizations decreased from EUR 3,575mn by EUR 1,425mn to EUR 2,150mn.

Concerning the market risk, the exposure amount of EUR 365mn resulted in corresponding own funds requirements (EUR 29mn), as the 2% threshold according to Art. 351 CRR of the Group's/Bank's overall net foreign-exchange position has been exceeded. The USD long position resulting from leveraged loans (loan commitment in USD) stays with 5.7% on a low level compared to the total own funds requirements.

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, 2018. Own funds requirements for Credit Risks are broken down by exposure classes in accordance with Art. 112 CRR<sup>4</sup>:

**Table 2: Risk weighted exposure amounts and own funds requirements according to Art. 438 c), e) and f) CRR**

| Exposure Class/Risk exposure   | Risk weighted exposure amounts<br>(in kEUR) |                  | Own funds requirements<br>(in kEUR) |                |
|--|---|------------------|-------------------------------------|----------------|
|  | SSEHG Group                                 | SSB Intl GmbH    | SSEHG Group                         | SSB Intl GmbH  |
| Central governments or central banks   | 3,421                                       | 3,421            | 274                                 | 274            |
| Regional governments or local authorities                                    | -   | -                | -                                   | -              |
| Public sector entities   | -   | -                | -                                   | -              |
| Multilateral development banks   | -   | -                | -                                   | -              |
| International organisations  | -   | -                | -                                   | -              |
| Institutions   | 452,188                                     | 448,306          | 36,175                              | 35,864         |
| Corporates   | 3,042,958                                   | 3,049,461        | 243,437                             | 243,957        |
| Retail exposures   | -   | -                | -                                   | -              |
| Exposures secured by mortgages on immovable property                         | -   | -                | -                                   | -              |
| Exposures in default   | 66  | 138              | 5                                   | 11             |
| Exposures associated with particularly high risk                             | -   | -                | -                                   | -              |
| Covered bonds  | 68,866                                      | 68,778           | 5,509                               | 5,502          |
| Exposures to institutions and corporates with a short term credit assessment | -   | -                | -                                   | -              |
| Collective Investment Undertakings (CIUs)                                    | 3,008                                       | 3,008            | 241                                 | 241            |
| Equity exposures   | 24,850                                      | 24,850           | 1,988                               | 1,988          |
| Other items  | 490,467                                     | 496,538          | 39,237                              | 39,723         |
| Securitisations  | 437,977                                     | 437,350          | 35,038                              | 34,988         |
| <b>Credit Risks</b>  | <b>4,523,800</b>                            | <b>4,531,849</b> | <b>361,904</b>                      | <b>362,548</b> |
| Position risks in traded debt instruments                                    | 22  | 22               | 2                                   | 2              |
| <i>of which general interest rate risks</i>                                  | 22  | 22               | 2                                   | 2              |
| <i>of which specific interest rate risks</i>                                 | -   | -                | -                                   | -              |
| Equity risks   | -   | -                | -                                   | -              |
| Foreign Exchange Risks   | 365,136                                     | 364,982          | 29,211                              | 29,199         |
| Commodities Risks  | -   | -                | -                                   | -              |
| Large exposures exceeding the limits   | -   | -                | -                                   | -              |
| <b>Market Risks</b>  | <b>365,158</b>                              | <b>365,004</b>   | <b>29,213</b>                       | <b>29,200</b>  |
| <b>Settlement Risks</b>  | <b>-</b>                                    | <b>-</b>         | <b>-</b>                            | <b>-</b>       |
| <b>Operational Risks</b>   | <b>1,424,087</b>                            | <b>1,414,315</b> | <b>113,927</b>                      | <b>113,145</b> |
| <b>CVA Risks</b>   | <b>39,590</b>                               | <b>39,590</b>    | <b>3,167</b>                        | <b>3,167</b>   |
| <b>Total amount</b>  | <b>6,352,636</b>                            | <b>6,350,758</b> | <b>508,211</b>                      | <b>508,061</b> |

<sup>4</sup> Due to the different acquisition date of the securities at the consolidated and standalone level, own funds requirements for securitization positions are partly divergent.

## 4 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% whereby a binding legal minimum requirement has been defined neither at European nor at national level.

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 declined slightly compared to December 31, 2017, at the consolidated level from 5.44% to 4.98%, at the individual level from 5.05% to 4.69%.

The change of the ratio at the consolidated level is mainly driven by an increase of the total Leverage Ratio exposures from EUR 40,041mn as of December 31, 2017, to EUR 44,454mn as of June 30, 2018. The change of the ratio at individual level also results from an increase of the Leverage Ratio exposures from EUR 40,953mn as of December 31, 2017 to EUR 45,331mn as of June 30, 2018. The increase of the Leverage Ratio exposures at both levels was driven by the growth of deposits of State Street Bank and Trust Company as of June 30, 2018 at the central bank and the increase of the investment portfolio.

**Table 3: Leverage Ratio according to the Delegated Regulation (EU) 2015/62**

| Entity name                           |                                | SSEHG Group | SSB Intl GmbH |
|---------------------------------------|--------------------------------|-------------|---------------|
| Capital and total exposures (in kEUR) |                                |             |               |
| 20                                    | Tier 1 capital                 | 2,214,497   | 2,125,796     |
| 21                                    | Leverage ratio total exposures | 44,454,114  | 45,330,514    |
| 22                                    | Leverage ratio (%)             | 4.98        | 4.69          |

## 5 Liquidity Coverage Ratio

This chapter shows specific information based on the EBA guidelines for the disclosure of the Liquidity Coverage Ratio (EBA/GL/2017/01)<sup>5</sup>.

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, 2017.

### Liquidity Coverage Ratio (LCR) – General information

As of reporting date, the LCR of the SSEHG Group decreased from 197.67% to 181.12% and the LCR of SSB Intl GmbH from 197.60% to 179.02% compared to December 31, 2017. This reduction results from an increase in non-operational deposits and less inflows due to the partly reduction of reverse repurchase agreements.

<sup>5</sup> EBA guideline for disclosure on LCR disclosure to complement the disclosure of liquidity risk management under Art. 435

The Group calculates the LCR in significant foreign currencies in accordance with Art. 415 (2) CRR when the corresponding 5% threshold<sup>6</sup> is exceeded. At the disclosure date, the US Dollar was defined as significant currency only. As of June 31, 2018, the LCR in US Dollar was 192.41% for the SSEHG Group and 192.29% for SSB Intl GmbH, which is significantly above the regulatory requirements 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, 2017.

#### 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 LCR<sup>7</sup>.

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 and taking into account the applicable transitional provisions.

**Table 4: LCR-Disclosure of SSEHG Group (EU LIQ1)**

| Level of consolidation:                                   | consolidated                 | Total weighted value<br>(average) |            |            |            |
|---|------------------------------|-----------------------------------|------------|------------|------------|
| Currency and Units  | in kEUR                      |                                   |            |            |            |
| Quarter ending on   |                              | 30. Sep 17                        | 31. Dec 17 | 31. Mar 18 | 30. Jun 18 |
| Number of data points used in the calculation of averages |                              | 12                                | 12         | 12         | 12         |
| 21  | Liquidity Buffer             | 28,697,199                        | 27,450,970 | 26,458,959 | 26,187,686 |
| 22  | Total net cash outflow       | 15,520,725                        | 14,696,870 | 15,207,766 | 14,770,451 |
| 23  | Liquidity Coverage Ratio (%) | 186                               | 188        | 176        | 179        |

**Table 5: LCR-Disclosure of SSB Intl GmbH (EU LIQ1)**

| Level of consolidation:                                   | solo                         | Total weighted value<br>(average) |            |            |            |
|---|------------------------------|-----------------------------------|------------|------------|------------|
| Currency and Units  | in kEUR                      |                                   |            |            |            |
| Quarter ending on   |                              | 30. Sep 17                        | 31. Dec 17 | 31. Mar 18 | 30. Jun 18 |
| Number of data points used in the calculation of averages |                              | 12                                | 12         | 12         | 12         |
| 21  | Liquidity Buffer             | 28,697,199                        | 27,450,970 | 26,458,959 | 26,187,686 |
| 22  | Total net cash outflow       | 15,462,316                        | 14,658,877 | 15,222,738 | 14,851,468 |
| 23  | Liquidity Coverage Ratio (%) | 187                               | 188        | 176        | 178        |

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

<sup>6</sup> A LCR-report has to be made if the aggregate liabilities in a currency different from the reporting currency under paragraph 1 amount or exceed 5% of the institution's or the single liquidity subgroup's total liabilities

<sup>7</sup> As the requirements according to Sec. 14 of EBA/GL/2017/01 are fulfilled both for SSEHG Group and SSB Intl GmbH

## 6 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.

The following personnel changes occurred during the reporting period:

- Mr. Jörg Ambrosius resigned from the Executive Board of SSB Intl GmbH and was elected as a member of the Supervisory Board of SSB Intl GmbH as of April 15, 2018
- Mr. Mark Keating resigned from the Executive Board of SSB Intl GmbH as of March 15, 2018
- Ms. Fabienne Baker was appointed to the Executive Board of SSB Intl GmbH effective as of March 15, 2018
- Ms. Elizabeth Nolan has taken over the chair of the Supervisory Board of State Street Bank Intl GmbH effective as of January 1, 2018 following the resignation of Jeff Conway from the Supervisory Board as of 31 December, 2017.

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 2018, 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. As one relevant change, Foreign exchange risk (subsumed under Market Risk) was identified as a low but material risk and is now included in the Pillar 2 calculation. In addition, the Credit Risk calculation methodology has been improved in the first half-year.

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 free Risk Bearing Capacity.

During the first half-year 2018 the Risk Bearing Capacity of the Group and the Bank was ensured at all time. On Group level the utilization of the existing risk taking potential by the material Pillar 2 risks within the primarily relevant Accounting-based Approach ("Going-Concern-Approach") was at 21% as of June 30, 2018. Thus capital utilization has remained stable since year end.

The following tables show the limit utilization of Material Risks under the Accounting-based Approach ("Going-Concern-Approach") as per June 30, 2018:

**Table 6: Limit utilization of material risks and free risk taking potential of SSEHG Group**

| <b>Risk Taking Potential</b>                  | <b>1,435,585</b>                                  |                               |
|---|---|-------------------------------|
| <b>Material Risk Type</b>                     | <b>Utilization amount (Pillar2)<br/>(in kEUR)</b> | <b>Utilization<br/>(in %)</b> |
| Interest Rate Risk (Banking and trading book) | 162,249   | 37.30                         |
| Credit Risk                                   | 19,557  | 8.15                          |
| Operational Risk                              | 91,278  | 48.04                         |
| Business Risk                                 | 7,133   | 14.27                         |
| Buffer for non-material risk                  | 21,754  | -                             |
| <b>Total</b>                                  | <b>301,971</b>                                    | <b>-</b>                      |
| <b>Free Risk Taking Potential</b>             | <b>1,133,614</b>                                  | <b>-</b>                      |

Table 7: Limit utilization of material risks and free risk taking potential of SSB Intl GmbH

| Risk Taking Potential                         | 1,347,120                                 |                       |
|---|---|-----------------------|
| Material Risk Type                            | Utilization amount (Pillar2)<br>(in kEUR) | Utilization<br>(in %) |
| Interest Rate Risk (Banking and trading book) | 203,163                                   | 48.95                 |
| Credit Risk                                   | 20,392                                    | 8.50                  |
| Operational Risk                              | 91,278                                    | 48.04                 |
| Business Risk                                 | 7,133                                     | 14.27                 |
| Buffer for non-material risk                  | 20,958                                    | -                     |
| <b>Total</b>                                  | <b>342,924</b>                            | <b>-</b>              |
| <b>Free Risk Taking Potential</b>             | <b>1,004,196</b>                          | <b>-</b>              |

As per the reporting date, general loan loss provisions (henceforth “GLLP”) amounting to EUR 8.2mn have been made on receivables from the Leveraged Loans Portfolio. GLLP have been deducted on the asset side from loans and advances to customers. Besides, specific loan loss provisions of EUR 37k have been recorded at Group and Bank level<sup>8</sup>.

Furthermore, SSB Intl GmbH entered into Leveraged Loans by a volume of EUR 548mn, which have not been drawn as per the reporting date, for that those items are recognized off balance as at June 30, 2018. As per the reporting date, provisions for impending losses have been recognized amounting to EUR 4.4mn according to Sect. 249 (1) HGB.

The encumbrance level of SSEHG Group’s assets increased from 7.2% as per December 31, 2017 to 9.2% as per June 30, 2018 and remains therefore on a low level.

<sup>8</sup> 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, 2017 (Chapter 5.4: “Credit Risk Adjustments (Art. 442 CRR)”).

## 7 Glossary

|               |  |
|---------------|--|
| Art.          | Article  |
| AT 1          | Additional Tier 1 Capital  |
| BA            | Banking Supervision (Bankenaufsicht)                             |
| bn            | Billion  |
| CET 1         | Common Equity Tier 1   |
| cf.           | confer/conferatur (compare)                                      |
| CIU           | Collective Investment Undertakings                               |
| Co.           | Corporation  |
| CRD IV        | Capital Requirements Directive IV                                |
| CRR           | Capital Requirements Regulation (EU No. 575/2013)                |
| CVA           | Credit Valuation Adjustment                                      |
| EBA           | European Banking Authority                                       |
| ECB           | European Central Bank  |
| e.g.          | exempli gratia (for example)                                     |
| etc.          | et cetera  |
| EU            | European Union   |
| EUR           | Euro   |
| GmbH          | Limited under German law   |
| GL            | Guideline  |
| GLLP          | General loan loss provisions                                     |
| HGB           | Handelsgesetzbuch (German Commercial Code)                       |
| i.c.w.        | in conjunction with  |
| i.e.          | id est (that is)   |
| KEUR          | Thousand Euro  |
| LCR           | Liquidity Coverage Ratio   |
| LLC           | Limited Liability Company  |
| mn            | Million  |
| No.           | Number   |
| NYSE: STT     | New York Stock Exchange: State Street Corporation                |
| 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)                                 |
| SSB Intl GmbH | State Street Bank International GmbH                             |
| SSEHG Group   | State Street Europe Holding Germany Group                        |
| SSEHG KG      | State Street Europe Holdings Germany S.à r.l. & Co. KG           |
| T1            | Tier 1 Capital   |
| T2            | Tier 2 Capital   |
| TC            | Total Capital  |
| US            | United States  |
| USD           | United States Dollar   |



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\* AUM reflects approx. \$32.9 billion (as of June 30, 2018) with respect to which State Street Global Advisors Funds Distributors, LLC serves as marketing agent; State Street Global Advisors Funds Distributors, LLC and State Street Global Advisor are affiliated.

#### Disclaimer

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