

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

Consolidated Disclosure Report as of June 30, 2020

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 European Banking Authority (“EBA”) BA 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 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 “SSBI 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 49,8 bn as of June 30, 2020 (henceforth “reporting date”), SSEHG Group has to publish a consolidated Disclosure Report more frequent than annually.

As the total balance sheet of SSBI GmbH also exceeds the threshold of EUR 30bn, SSBI 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 SSBI 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 as of June 30, 2020. The TLAC is measured

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, SSBI 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)

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 a consolidated and individual basis by means of disclosing 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. In accordance with the legal requirements, this disclosure report does not require a qualified audit opinion and is therefore neither audited nor reviewed by our external auditor.

The figures⁵ in this report are based on the internal monthly financial statements as of June 30, 2020 and are therefore consistent with the regulatory reports both for SSEHG Group and SSBI 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 disclosed in chapter 4, a more detailed description of own funds and eligible liabilities as well as own funds requirements are in chapter 5 and additional information about the leverage ratio are in chapter 0.

Table 1: Overview on important regulatory key metrics⁶

	SSEHG Group		SSBI GmbH	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Available Capital				
Common Equity Tier 1	2,946,725	2,954,857	2,174,548	2,107,513
Tier 1 Capital	2,946,725	2,954,857	2,174,548	2,107,513
Tier 2 Capital	-	-	100,000	100,000
Total Capital (Own funds)	2,946,725	2,954,857	2,274,548	2,207,513
Risk-weighted assets (RWA)				
Total RWA	8,249,245	7,675,279	8,198,438	7,631,449
thereof: Credit risk incl. securitisations (RWA)	5,910,049	5,191,265	5,872,194	5,160,388
thereof: Market risk (RWA)	66	154,803	66	154,803
thereof: Operational Risk (RWA)	2,295,906	2,295,906	2,282,953	2,282,953
thereof: CVA risk	43,224	33,305	43,224	33,305
Capital Ratio (in %)				
Common Equity Tier 1 Ratio	35.7	38.5	26.5	27.6
Tier 1 Ratio	35.7	38.5	26.5	27.6
Total Capital Ratio	35.7	38.5	27.7	28.9
Additional buffer requirements (in %)				
Capital conservation buffer	2.50	2.5	2.50	2.5
Countercyclical capital buffer	0.06	0.12	0.06	0.12
Other capital buffer	-	-	-	-
Leverage Ratio				
Leverage Ratio exposure measure (total)	48,924,361	44,085,752	48,829,750	43,924,024
Leverage Ratio (in %)	6.0	6.7	4.5	4.8
Liquidity Coverage Ratio (in %)				
LCR	181.0	196.0	175.8	193.1
Total Loss-Absorbing Capacity (TLAC) Standard				
Regulatory capital components for TLAC (numerator)				
Own funds and eligible liabilities	2,946,725			
thereof: Own funds (only CET1)	2,946,725			
thereof: Eligible liabilities	-			
Risk measures for TLAC (denominator)				
RWA (Total Risk Exposure Amount, TREA)	8,249,245			
Leverage ratio exposure measure (LREM)	48,924,361			
TLAC ratios				
TLAC ratio (in % of TREA)	35.7			
TLAC ratio (in % of LREM)	6.0			

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, 2020:

- 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

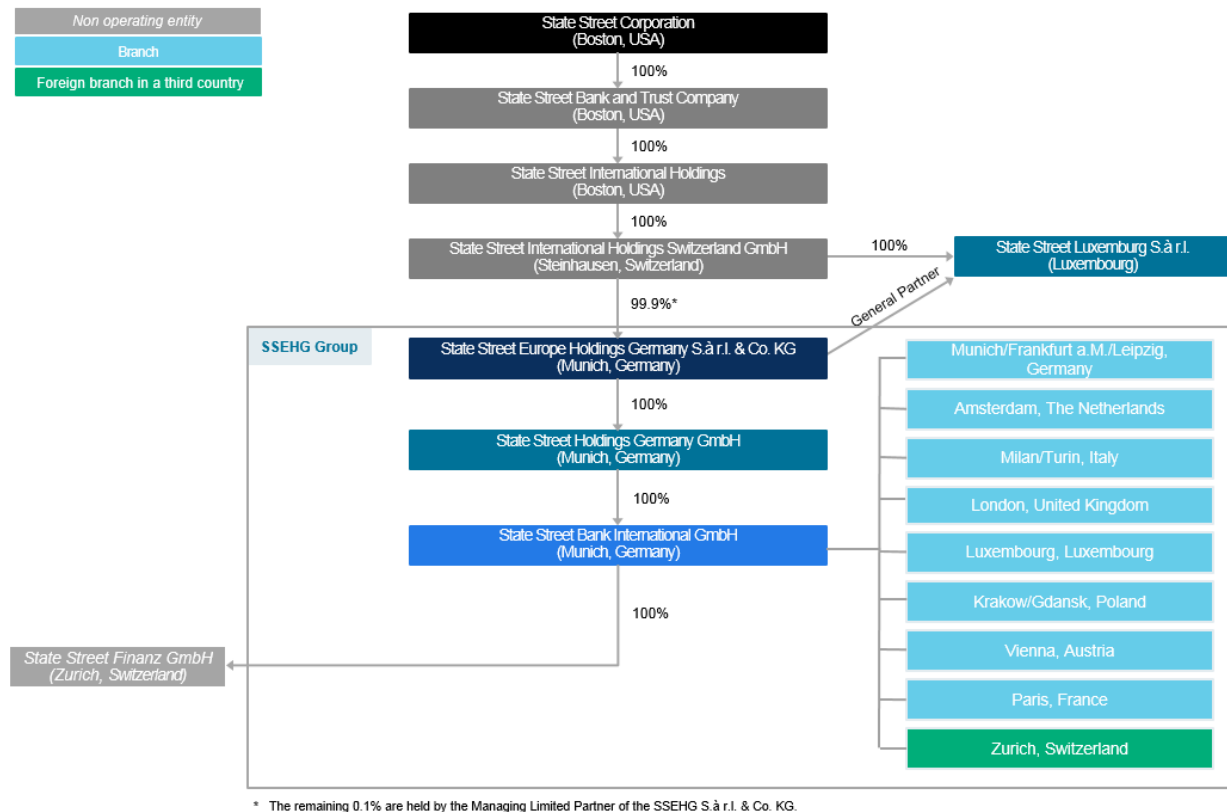
As of June 30, 2020, SSBI GmbH has a direct participation in holding the shares of State Street Finanz GmbH, Zurich, Switzerland. Further changes during the first half-year did not arise.

2.3 Business Model

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

SSBI GmbH, Munich is the legal entity that constitutes the Group’s operating company. SSBI 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. As of June 30, 2020, the following remain unchanged compared to December 31, 2019 SSBI 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, Paris and Krakow (with an additional office in Gdansk). The number of employees of SSBI GmbH is 8,225 on an average semi-annual basis.

Illustration 1: Subsidiaries, branches and representative offices of SSBI GmbH



SSBI 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, SSBI GmbH offers lending business and foreign exchange as well as money market transactions and invests in securities and Leveraged Loans.

⁷ Those trades refer to customer-induced transactions which are closed out by means of back-to-back transactions with affiliated companies. SSBI 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, SSBI 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. SSBI 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 SSBI GmbH and its 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 SSBI GmbH was confirmed on June 9, 2020 by the S&P Global Ratings Europe Limited, German Branch.

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 2020 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 President ("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, 2020
Supervisory Board	30%	33%
Executive Management Board	25%	29%
Vice President (and higher Corporate Title)	34%	34%
Assistant Vice President	40%	40%

The following personnel changes occurred during the reporting period:

- Effective February 1, 2020 Mr. Jörg Ambrosius has been appointed as Chair of the Supervisory Board of SSBI GmbH. Ms. Elizabeth Nolan remains a member of the State Street Bank International GmbH Supervisory Board and acts as Vice Chair of the Supervisory Board.
- Mr. Bernd Frank has retired from the EMB of SSBI GmbH effective April 1, 2020. Within the EMB his responsibilities for IMS / Collateral Services (Operations) / KVG (Investment Company) Insourcing have been allocated to Mr. Stefan Gmür.
- As of May 1, 2020 the treasurer of State Street Bank International GmbH, Mr. J.K. Fagan, has moved up to the EMB of SSBI GmbH. Within the EMB he takes over the responsibilities for Global Treasury and Global Credit Finance from Ms. Kimberly DeTrask who has resigned from the EMB of SSBI GmbH effective April 30, 2020 in connection with her appointment as State Street's International Chief Financial Officer.

⁹ This table includes only SSBI 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

4 Liquidity Coverage Ratio ("LCR")

This chapter discloses specific information based on the EBA guidelines for 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, 2019.

Liquidity Coverage Ratio (LCR) – General information

As of June 30, 2020, the LCR of the SSEHG Group decreased from 196.0% to 181.0% and the LCR of SSBI GmbH decreased from 193.1% to 175.8% compared to December 31, 2019. This decrease results from an increase in non-operational deposits.

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, 2020, the LCR in US Dollar was 155.1% for the SSEHG Group and 155.1% for SSBI GmbH, which is significantly above the regulatory minimum of 100%.

In addition, there are no material items for the liquidity risk profile of the SSEHG Group and SSBI GmbH that are not described in this Disclosure Report or any other significant changes compared to December 31, 2019.

Liquidity Coverage Ratio (LCR) – Quantitative information

The following information, for both 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		09/30/2019	12/31/2019	03/31/2020	06/30/2020
Number of data points used in the calculation of averages		12	12	12	12
21	Liquidity Buffer	28,957	29,880	30,466	30,164
22	Total net cash outflow	15,110	16,143	16,914	17,156
23	Liquidity Coverage Ratio (%)	192.8	186.9	181.6	176.7

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

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 SSBI GmbH

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

Level of consolidation: solo		Total weighted value (average, in EUR mn)			
Quarter ending on		09/30/2019	12/31/2019	03/31/2020	06/30/2020
Number of data points used in the calculation of averages		12	12	12	12
21	Liquidity Buffer	28,931	29,853	30,439	30,137
22	Total net cash outflow	15,398	16,505	17,282	17,552
23	Liquidity Coverage Ratio (%)	189.2	182.6	177.4	172.5

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.

5 Own funds, eligible liabilities and own funds requirements

5.1 Structure of Own funds of SSEHG Group and SSBI 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. As of June 30, 2020 the CET 1 capital ratio as well as the Total Capital Ratio of the Group is 35.7%.

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, 2019, the CET 1 capital of the Group decreased only insignificantly by EUR 8mn.

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) 2016/101¹³. Deductions from the CET 1 capital, pursuant to Art. 36 (1) a), b), and e) CRR, consist of the loss carried forward 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 the reporting date SSBI GmbH has given irrevocable and non-cancellable payment commitments towards the deposit guarantee fund (Einlagensicherungsfonds) of the BdB in the amount of EUR 9.5mn (EUR 7.5mn as of December 31, 2019) which has 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)¹⁴. Furthermore, SSBI GmbH has given another irrevocable and non-cancellable payment commitment towards the SRF in the amount of EUR 4.2mn in May 2020. The entire payment commitment towards the SRF amounts to EUR 7.4mn as of June 30, 2020 (EUR 3.2mn as of December 31, 2019). The entire amount of payment commitments 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 Regulation in addition to the CRR with regard to regulatory technical standards for prudent valuation under Art. 105 (14) CRR

¹⁴ Guidelines on payment commitments under Directive 2014/49/EU on deposit guarantee schemes

Structure of the Own funds of SSBI 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 SSBI GmbH is 26.5% and the Total Capital Ratio is 27.7%.

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 SSBI GmbH as of December 31, 2019, the CET 1 capital increased by EUR 67mn. The increase resulted with the amount of EUR 73mn from the approval of the financial statements for 2019 and the corresponding reduction of deduction items for intangible assets (including goodwill) with a countervailing effect from increased irrevocable payment commitments (EUR 6mn).

With respect to the prudential filters according to Art. 34 CRR, we refer to the above mentioned explanation for SSEHG Group which also apply for SSBI GmbH. Deductions from CET1 capital, pursuant to Art. 36 (1) b) CRR, consist of 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. All other prudential deductions (defined-benefit pension fund assets, irrevocable payment commitments) have the same amounts on Bank level as on Group level.

There are no additional items of deductions and corrections to be disclosed according to Art. 437 (1) d) CRR for SSBI GmbH.

Capital instruments both at SSEHG Group and SSBI 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 SSBI 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 provides the Own funds of the Group and Bank according to Part 2, Title I to III CRR as of June 30, 2020:

Table 5: Own funds of SSEHG Group and SSBI 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	SSBI 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)	5,330,342	2,055,121
3a	Funds for general banking risk	26 (1) (f)	82,000	82,000
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments		5,413,342	2,246,388
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)	-1,712,883	-54,978
15	Defined-benefit pension fund assets (negative amount)	36 (1) (e), 41, 472 (7)	-8	-8
25a	Losses for the current financial year (negative amount) ¹⁵	36 (1) (a), 472 (3)	-736,871	-
27a	other regulatory adjustments		-16,852	-16,852
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)		-2,466,617	-71,840
29	Common Equity Tier 1 (CET1) capital		2,946,725	2,174,548
44	Additional Tier 1 (AT1) capital		-	-
45	Tier 1 capital (T1 = CET1 + AT1)		2,946,725	2,174,548
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)		2,946,725	2,274,548
60	Total RWA		8,249,245	8,198,438
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	92 (2) (a), 465	35.7	26.5
62	Tier 1 (as a percentage of risk exposure amount)	92 (2) (b), 465	35.7	26.5
63	Total capital (as a percentage of risk exposure amount)	92 (2) (c)	35.7	27.7
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		0.06	0.06
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	CRD 128	25.7	20.0
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)	3,172	3,172
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)	10,537	10,537

¹⁵ Consisting solely of the loss carried forward from previous years

The Bank's CET 1 Capital Ratio and Tier 1 Capital Ratio is 26.5% as of June 30, 2020 compared to 27.6% as of December 31, 2019. The Total Capital Ratio decreased from 28.9% as of December 31, 2019 to 27.7%. All relevant capital ratios of the Group decreased from 38.5% to 35.7%.

Both, the Group and the Bank have had a comfortable capitalization for years, which reflects the strength and solidity of SSBI 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 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.

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. As of June 30, 2020, the ratio is 0.06% both at Group and at Bank level (EUR 4.9mn at both levels), compared to 0.12%¹⁶ as of December 31, 2019 respectively. Despite the general RWA increase (cf. chapter 5.3), the reduction is mainly due to the significant reductions of the applicable countercyclical buffer rates in the respective countries to be maintained. The reductions in the respective countries was a consequence of the outbreak and the necessary steps to contain the COVID-19 pandemic. Overall, the total level of the countercyclical buffer remains insignificant. The main elements of the calculation as well as the geographical distribution of our relevant credit risk positions are disclosed once a year at the end of each year.

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, 2019 (Section 4, "Own Funds and own funds requirements").

¹⁶ EUR 9.4mn on Group level and Bank level

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

The Total Loss-Absorbing Capacity ("TLAC")-standard has been implemented with the amendment of the CRR in Union law (henceforth "EU TLAC standard") and became effective in June 2019. This applies to resolution entities which are either themselves G-SIIs or are part of a group identified as a G-SII. Based on 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, 2020 which are outlined in the following.

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 (SSBI GmbH) of SSEHG Group are not in scope for 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 to¹⁷. Based on the TLAC ratios as of June 30, 2020 for SSEHG Group with 35.7% (TREA) and 6.0% (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 has not changed since December 31, 2019 and can be found in the Disclosure Report of SSEHG Group as of December 31, 2019 (Section 4: "Own funds and own funds requirements") and the consolidated financial statements of SSEHG Group as of December 31, 2019 (published in the Federal Gazette).

Article 437a (a) to (d) CRR are not applicable with regards to eligible liabilities as of June 30, 2020 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 SSBI GmbH (Art. 438 CRR)

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

The RWA increased in the first half-year by EUR 574mn (7.5% respectively) for the Group and by EUR 567mn (7.4% respectively) for the Bank compared to December 31, 2019. This increase both for SSEHG Group and SSBI GmbH resulted mainly from increased credit risk in the exposure class "Corporates" due to additional purchases of Investment Portfolio securities. The volume of the leveraged loan portfolio (before risk provisioning) decreased in the first half-year from EUR 2.1bn to EUR 2.0bn resulting from risk-reducing measures taken in light of the Covid-19 crisis.

The volume of the investment portfolio of the Group increased in the first half-year of 2020 by EUR 1,209mn to EUR 16,587mn (book value). The amount of securitizations decreased from EUR 2,481mn by EUR 238mn to EUR 2,243mn.

¹⁷ 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

The following table provides 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, 2020. 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 SSBI GmbH

Exposure Class/ Risk exposure	SSEHG Group		SSBI GmbH	
	RWA	Own funds requirements	RWA	Own funds requirements
Central governments or central banks	5,057	405	5,057	405
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions ¹⁸	430,889	34,471	430,485	34,439
Corporates	4,523,593	361,887	4,523,583	361,887
Retail exposures	-	-	-	-
Exposures secured by mortgages on immovable property	-	-	-	-
Exposures in default	22	2	22	2
Exposures associated with particularly high risk	-	-	-	-
Covered bonds	27,893	2,231	27,904	2,231
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-
Collective Investment Undertakings (CIUs)	3,172	254	3,172	254
Equity exposures	26,332	2,106	26,332	2,106
Other items	394,575	31,566	357,350	28,588
Securitisations ²¹	498,515	39,881	498,288	39,863
Credit Risks	5,910,049	472,804	5,872,194	469,776
Position risks in traded debt instruments	66	5	66	5
<i>of which: general interest rate risks</i>	66	5	66	5
<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	66	5	66	5
Settlement Risks	-	-	-	-
Operational Risks	2,295,906	183,672	2,282,953	182,636
Credit Valuation Adjustment Risks (CVA Risks)	43,224	3,458	43,224	3,458
Total	8,249,245	659,940	8,198,438	655,875

¹⁸ Due to the different acquisition date of the securities at the consolidated and standalone level, own funds requirements for securitization positions under the standardized approach are partly divergent between SSEHG Group and SSBI 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%¹⁹.

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 June 30, 2020, the ratio has been calculated based on this regulation both at SSEHG Group consolidated and SSBI GmbH individual level.

Development of the Leverage Ratio

As of June 30, 2020, the Leverage Ratio of SSEHG Group decreased from 6.7% to 6.0% and from 4.8% to 4.5% at SSBI GmbH compared to December 31, 2019.

The decrease of the ratio both on consolidated and individual basis is mainly driven by the increase of the total Leverage Ratio exposures from EUR 44,086mn as of December 31, 2019, to EUR 48,924mn as of June 30, 2020 for SSEHG Group and from EUR 43,924mn as of December 31, 2019 to EUR 48,830mn as of June 30, 2020 for SSBI GmbH contributed to the decrease of the Leverage Ratio. The lower decrease in the ratio of SSBI GmbH in relation to SSEHG Group is due to the increase Tier 1 capital (by EUR 67mn) on SSBI GmbH level while the Tier 1 capital of the SSEHG Group fell slightly (for additional detail refer to chapter 5.1).

A major factor for the increase of the total Leverage Ratio exposure for both levels were the increased levels of client deposits compared to December 31, 2019 (increase of EUR 4,9bn). Consequently, this led to an increase of the corresponding investments on the asset side mainly towards credit institutions (mainly assets against group related companies like State Street Bank and Trust Company ("SSBT") or the investment portfolio that is included in the total leverage ratio exposure.

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

		SSEHG Group	SSBI GmbH
Capital and total exposures			
20	Tier 1 capital	2,946,725	2,174,548
21	Leverage ratio total exposures	48,924,361	48,829,750
22	Leverage ratio	6.0%	4.5%

¹⁹ 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)

During the first half-year of 2020, there were no material changes to remuneration. For further information on remuneration please refer to the disclosure report of SSEHG Group as of December 31, 2019.

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 2020, the results of the annual Internal Capital Adequacy Assessment Process ("ICAAP") cycle have been finalized. Based on the results, no significant changes have been determined in the risk profile of the Group.

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 of 2020 capital adequacy in the economic perspective of the Group and the Bank was ensured at all times. At Group level ICAAP Utilization was at 39% as of June 30, 2020, with internal capital at EUR 3,517mn and economic capital (total risks) at EUR 1,382mn. For the Bank, the ICAAP utilization was at 60% with internal capital at EUR 2,305mn and economic capital at EUR 1,373mn. As a consequence of the COVID-19 pandemic, the Group's / Bank's ICAAP Utilization at the end of March increased by 6% and 10%-points, respectively. Since then, ICAAP Utilization has recovered, slightly higher compared to year-end as the Group / Bank continues to follow its business strategy under which ICAAP Utilization is predicted to slightly increase.

Table 8: Economic capital amounts and internal capital in the economic perspective for SSEHG Group and SSBI GmbH as of June 30, 2020

Material risk types (in EUR 1,000)	SSEHG Group	SSBI GmbH
Interest Rate Risk	247,609	233,380
FX Risk	7,313	7,313
Credit Risk	410,501	415,781
Credit Spread Risk	373,040	373,040
Operational Risk	259,800	259,800
Strategic Risk	83,793	83,793
Economic Capital	1,382,056	1,373,108
Available Capital	2,135,193	931,651
Internal Capital	3,517,249	2,304,759
ICAAP Utilization	39%	60%

Credit risk adjustments (Art. 442 CRR)

As of June 30, 2020 general loan loss provisions (henceforth “GLLP”) were EUR 65.0mn versus EUR 27.0mn as of December 31, 2019, have been made on receivables from the Leveraged Loans Portfolio. The increase in risk provisioning resulted from higher estimates for expected credit losses, in particular due to expected negative developments in the real economy associated with the outbreak of COVID-19. GLLP has been deducted on the asset side from loans and advances to customers.²⁰

In addition, SSBI GmbH entered into European Leveraged Loans by a volume of EUR 41mn (EUR 130mn as of December 31, 2019), which have not been drawn as of the reporting date, those items are recognized off balance sheet as at June 30, 2020. As of June 30, 2020, generic provisions for those off-balance sheet positions have been recognized to EUR 1.6mn (EUR 2.0mn as of December 31, 2019) according to Sect. 249 (1) HGB.

As of June 30, 2020, specific loan loss provisions were EUR 0.8mn as of June 30, 2020 (refer to the next chapter for additional details).

Non-performing and forborne exposures

Considering the disclosure requirements for non-performing and forborne exposures according the EBA guideline (EBA/GL/2018/10) SSEHG Group and SSBI GmbH reported non-performing exposure from the general service business with the amount of EUR 0.9mn as of June 30, 2020. Specific loan loss provision in the amount of EUR 0.8mn have been built accordingly. Forborne exposure doesn't exist as of June 30, 2020.²¹

Disclosure of exposures subject to measures applied in response to the COVID-19 crisis

As of June 2, 2020 the EBA published its Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crises (EBA/GL/2020/07).

The Guidelines have been developed to address data gaps associated with legislative and non-legislative moratoria on loan repayments and public guarantees in EU Member States measures to ensure an appropriate understanding of institutions' risk profile and the asset quality on their balance sheets both for supervisors and the wider public.

²⁰ The amount of credit value adjustments and provisions is equal both on the level of SSEHG Group and SSBI 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, 2019 (Chapter 5.4: “Credit Risk Adjustments (Art. 442 CRR)”).

²¹ For further information we refer to the Disclosure Report of the SSEHG Group as of December 31, 2019 (Chapter 6 “Unencumbered assets (Art. 443 CRR)”).

As of June 30, 2020 both SSEHG Group and SSBI GmbH do not have (i) loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis²² or (ii) newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to the COVID-19 crisis. This demonstrates the good quality of SSBI GmbH loan portfolio and consequently, further information and data with the respective disclosure templates 1 to 3 of the EBA/GL/2020/07 do not need to be disclosed.

Unencumbered Assets (Art. 443 CRR)

The encumbrance ratio of SSEHG Group's assets slightly increased from 2.8% as of December 31, 2019 to 3.5% as of June 30, 2020 and therefore remains on a low level.

The median encumbrance ratio was 2.5% in 2019 and 2.9% in June 2020. The values are determined by interpolation using the rolling quarterly medians over the previous 12 months.²³

²² In accordance with EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02, consolidated version as of June 25, 2020)

²³ For further information we refer to the Disclosure Report of the SSEHG Group as of December 31, 2019 (Chapter 5.2 "Disclosure of non-performing and forborne exposure")

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
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
EUR	Euro
FSB	Financial Stability Board
GmbH	Limited under German law
GL	Guideline
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
LRM	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
SRB	Single Resolution Board
SRF	Single Resolution Funds
SRM	Single Resolution Mechanism
SSBI 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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