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

Consolidated Disclosure Report as of December 31, 2020

According to Section 26a KWG i.c.w. Part 8 CRR and Section 16 InstitutsVergV

STATE STREET.

Table of contents

List of tables and illustrations

1 Introduction

1.1 Scope of application of the CRR

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

Main elements of the changes to Basel III which have been agreed in 2016 and 2017 were introduced by Regulation (EU) 2019/876 on June 7, 2019 in the European Official Journal amending the CRR and Regulation (EU) No. 648/2012 ("CRR II"), and the directive (EU) 2019/878 to amend the CRD IV (CRD V"). The CRR II and CRD V comprises of comprehensive amendments to a large number of banking and regulatory requirements as well as corresponding disclosure requirements, which will generally enter into force in June 2021. Transitional provisions have been defined for some disclosure requirements, which provide for application before June 2021. In the entire report, CRR and CRD IV have the meaning of the legal texts that have been amended both by CRR II and CRD V in the new, consolidated version if applicable as of December 31, 2020.

The major Pillar 3 disclosure requirements are laid out in Part 8 of the CRR (Art. 431 CRR and the following) as well as in Section 26a German Banking Act ("KWG"). In addition, on December 14, 2016, the European Banking Authority ("EBA") has published the guidelines on disclosure requirements in accordance with Part 8 of the CRR (EBA/GL/2016/11), which further clarifies the disclosure content.[1]

Part 8 CRR requires institutions to at least annually[2] disclose a set of qualitative and quantitative statutory information among others with respect to own funds and own funds requirements, applied risk management processes, material risks incurred, information on credit risk, encumbered and unencumbered assets, leverage ratio, securitisation transactions, and information on remuneration.

The State Street Europe Holdings Germany S.à r.l. & Co. KG Group ("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 („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 ("SSBI" or "Bank"), being the superordinate credit institution in accordance with Art. 11 (2) Sent. 2 CRR, prepares this consolidated Disclosure Report for the Group and thus fulfills the disclosure requirements on an individual basis as a significant subsidiary of SSEHG KG pursuant to Art. 13 (3) CRR.

This Disclosure Report of the SSEHG Group aims to fulfill the prudential transparency rules to enable market participants to assess and evaluate the Group's capital adequacy and risk profile.

[1] In addition, separate EBA guidelines specify also disclosure requirements for the leverage ratio, unencumbered and encumbered assets, the liquidity coverage ratio as well as non-performing and forborne exposures.

[2] Furthermore, institutions are obliged to assess the necessity of disclosing specific information more frequently than annually. Therefore, SSEHG Group has to disclose relevant consolidated Information quarterly. Disclosure Reports are available at the country specific homepage via www.statestreet.com. The reports can be accessed without registration.

1.2 Disclosure requirements according to Section 26a German Banking Act

In addition to the disclosure requirements according to part 8 CRR, further information with regards to the legal and organizational structure as well as the principles of proper and fair management of the Group have to be disclosed pursuant to Section 26a KWG. The information is included in chapter 2 and 3.

The so-called "country-by-country reporting" according to Section 26a (1) Sent. 2 KWG as well as the public disclosure of return on assets of SSBI (calculated as quotient of the net results and the balance sheet sum) according to Section 26a (1) Sent. 4 KWG are included in the individual financial statements of SSBI as of December 31, 2020 as separate appendix as the Bank is the only operating entity of SSEHG Group.

1.3 Further notes and explanations

Some of the quantitative data presented in this report may show differences due to rounding.

The Disclosure Report is mostly based on the audited consolidated financial statements of SSEHG Group, the audited annual financial statements of SSBI, both as of December 31, 2020, especially the Management Report as well as the respective supervisory reports. In some few cases and due to materiality aspects as well as timely differences the data in this report may vary between the finalisation respective the approval and the disclosure of the annual financial statements and the submission of the regulatory reporting to the competent authorities for the given reporting date.

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 ("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 not audited by our external auditor.

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 Overview on material regulatory key metrics

The following tables[3] gives an overview on important regulatory key metrics which are disclosed in this report. A detailed description of own funds and own funds requirements follows in chapter 4. Additional information about the leverage ratio are described in chapter 7 and further information on the liquidity coverage ratio can be found in chapter 3.2.5.

Table 1: Overview on important regulatory key metrics

	SSEHG Group		SSBI	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Available Capital (Pillar 1)				
Common Equity Tier 1 (CET 1)	3,232,872	2,954,857	2,174,500	2,107,513
Tier 1 Capital (Tier 1)	3,232,872	2,954,857	2,174,500	2,107,513
Tier 2 Capital (Tier 2)	0	-	100,000	100,000
Total Capital (Own funds)	3,232,872	2,954,857	2,274,500	2,207,513
Risk-weighted assets (Pillar 1)				
Total Risk-weighted assets (RWA)	8,411,751	7,675,279	8,357,315	7,631,449
thereof: Credit risk (RWA)	5,847,224	5,191,265	5,805,735	5,160,389
thereof: Market risk (RWA)	88	154,803	88	154,803
thereof: Operational Risk (RWA)	2,523,599	2,295,906	2,510,652	2,282,953
thereof: Credit Valuation Adjustment risk (CVA)	40,840	33,305	40,840	33,305
SREP and additional buffer requirements (in %)				
Pillar 2 requirement (P2R)	2.00	2.00	2.00	2.00
thereof P2R to be held in form of CET 1	1.13	2.00	1.13	2.00
thereof P2R to be held in form of Tier 1	1.50	-	1.50	-
Capital conservation buffer	2.50	2.50	2.50	2.50
Countercyclical buffer	0.05	0.12	0.05	0.12
Systemic risk buffer, G-SII-buffer, O-SII-buffer	0.00	0.00	0.00	0.00
Combined capital buffer	2.55	2.62	2.55	2.62
Overall Capital Requirement (OCR) (in %)				
OCR - min. CET1	8.18	9.12	8.18	9.12
OCR - min. Tier 1	10.05	10.62	10.05	10.62
OCR - min. Own funds	12.55	12.62	12.55	12.62
Capital Ratio (in %)				
Common Equity Tier 1 Ratio	38.4	38.5	26.0	27.6
Tier 1 Ratio	38.4	38.5	26.0	27.6
Total Capital Ratio	38.4	38.5	27.2	28.9
CET1 available after meeting the minimum capital requirements	28.4	28.5	17.2	21.1
Leverage Ratio				
Total Exposure	48,041,624	44,085,752	47,998,977	43,924,024
Leverage Ratio (in %)	6.7	6.7	4.5	4.8
Liquidity Coverage Ratio				
Total high-quality liquid assets (HQLA)	31,339,621	30,662,113	31,339,621	30,662,113
Total net cash outflow	20,118,646	15,642,895	20,682,985	15,878,075
LCR ratio (in %)	155.8	196.0	151.5	193.1

[3] 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")

Table 2: Overview on TLAC requirements for SSEHG Group

	12/31/2019	12/31/2020
Total Loss-Absorbing Capacity (TLAC) Standard		
Regulatory capital components for TLAC (numerator)		
Own funds and eligible liabilities	2,954,857	3,232,872
thereof: Own funds (only CET1)	2,954,857	3,232,872
thereof: Eligible liabilities	-	-
Risk measures for TLAC (denominator)		
RWA (Total Risk Exposure Amount, TREA)	7,675,279	8,411,751
Leverage ratio exposure measure (LREM)	44,085,752	48,041,624
TLAC ratios		
TLAC ratio (in % of TREA)	38.5	38.4
TLAC ratio (in % of LREM)	6.7	6.7

2.2 Group background (Art. 436 CRR)

One of the main objectives of establishing the SSEHG Group in May 2015 was to enhance operational, capital and governance efficiency and optimize the use of capital.

The SSEHG Group consists of the following entities as of December 31, 2020:

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

As of December 31, 2020 ("reporting date") SSBI has a participation in State Street Finanz GmbH, Zurich, Switzerland.

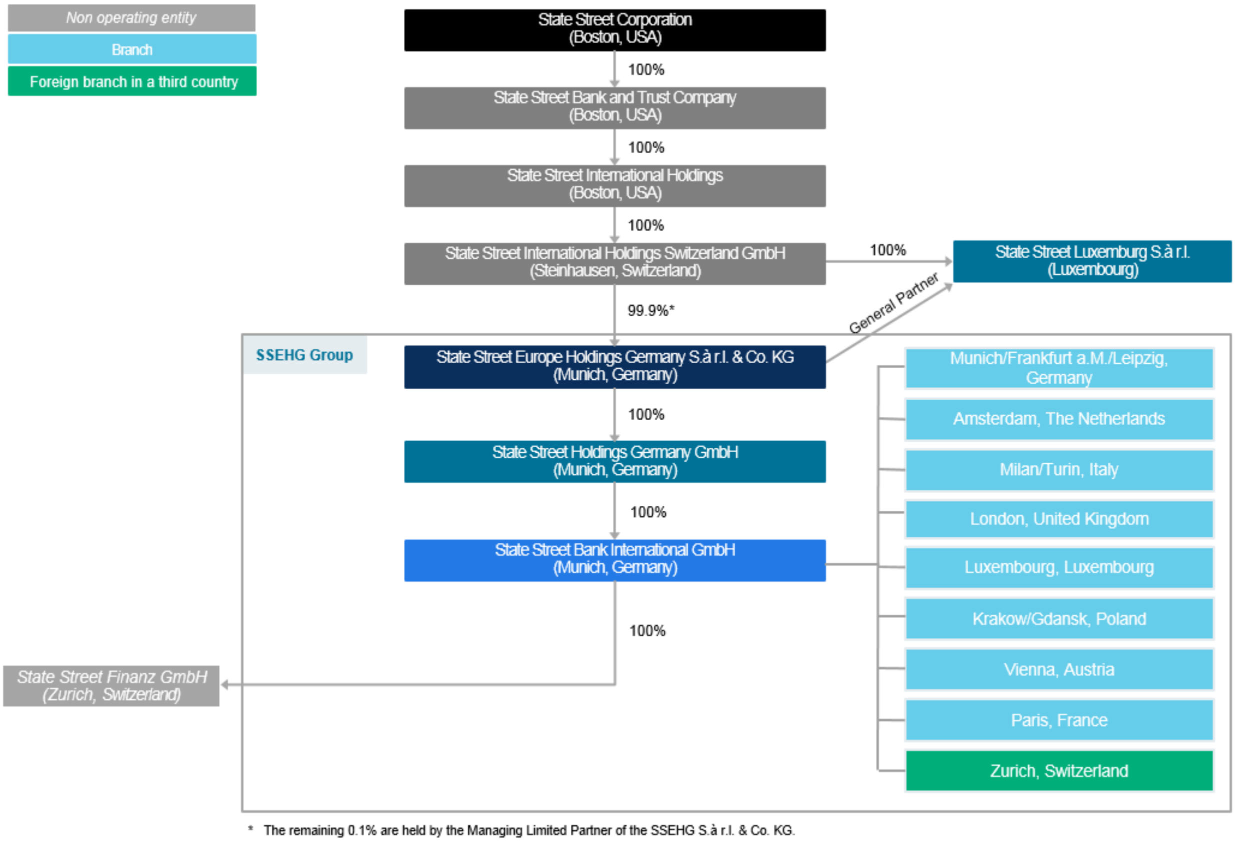
SSBI indirect shareholders are State Street Corporation ("SSC" or "State Street Group"), Boston, USA, State Street Bank and Trust Company ("SSBT"), Boston, USA, State Street International Holdings ("SSIH"), Boston, USA 100% of the capital and voting rights in SSEHG KG are held by State Street International Holdings Switzerland GmbH, Steinhausen, Switzerland (99.9% direct, 0.1% indirect).

As of the reporting date, the SSEHG Group is subject to the direct supervision of the European Central Bank ("ECB") and subsequently also supervised by the German Federal Financial Supervisory Authority ("BaFin") and the Deutsche Bundesbank on local level. Additionally, national laws and regulations apply to SSBI in those European countries, where its branches and representative office are located.

As indirect subsidiaries of an U.S. bank both SSEHG KG, State Street Holdings Germany GmbH („SSHG") and SSBI as well as SSEHG Group have to comply, beside the European and national supervisory requirements, with the U.S. rules and laws, which are applicable to subsidiaries of U.S. banks and bank holding companies. SSC, SSBT and SSIH are subject to the supervision and rules of the U.S. Federal Reserve System as well as other regulatory authorities in the U.S.

There were no changes in the holding structure in the respective year.

Illustration 1: Participation, subsidiaries and branches of SSBI



2.3 Consolidation

2.3.1 Requirements from a regulatory and balance sheet point of view (Art. 436 b) CRR)

SSEHG KG, SSHG and SSBI with all its branches are fully consolidated in SSEHG Group, both in the prudential consolidation scope (acc. to Art. 18 CRR) and within the meaning of the commercial consolidation scope. The scope of consolidation at the level of SSEHG KG includes all of the above mentioned direct and indirect participations of SSEHG KG, except for State Street Finanz GmbH. There is no consolidation of State Street Finanz GmbH from a regulatory point of view due to an exemption in accordance with Art. 19 (1) CRR i.c.w. Section 31 (3) Sent. 1 and 2 KWG (old version). A consolidation of State Street Finanz GmbH with respect to HGB requirements is likewise not conducted due to materiality reasons. In this regard, there a no differences between the prudential and the commercial scope of consolidation[4].

2.3.2 Exposures in equities not included in the trading book (Art. 447 CRR)

As of the reporting date, SSBI has a 100% participation in holding the shares of State Street Finanz GmbH, Zurich, Switzerland.

Shares in affiliated companies (other participations, not listed on the stock exchange) are accounted at acquisition cost or, in case of permanent impairment, to the lower fair value at the balance sheet date[5]. If the reasons for impairment from the previous fiscal years cease to exist, attributions up to the fair value but at maximum up to the acquisition cost will be made.

[4] Illustration 1 shows the supervisory consolidation and the consolidation according to commercial law of SSEHG Group and its ownership structure.

[5] The balance sheet date corresponds to the reporting date (31.12.2020).

In the reporting period for 2020, a write-down on the investment book value of State Street Finanz GmbH with the amount of EUR 0.1mn was considered. As a result, both the book value and the fair value as of December 31, 2020 amount to EUR 10.4mn (previous year: EUR 10.5mn).

There were no further cumulative values, realized profits or losses arising from sales and liquidations in the reporting period. Unrealized or deferred revaluation profits or losses have not been considered in the reporting period.

In addition, there were other, non-significant exposures in equities (Art. 447 c) CRR) in the amount of kEUR 5 in the SWIFT organization for secure financial messaging services (SWIFT SCRL, La Hulpe, Belgium) and in the amount of kEUR 1 in CBI S.c.p.a., Rome, Italy (a think tank for innovation for the payment market in the financial industry, promoted by the Italian Banking Association). Both exposures are shown in "other assets" in the balance sheet. There were no other equity positions not included in the trading book in the form of exchange-traded exposures or positions from private equity exposures in sufficiently diversified portfolio in 2020.

2.3.3 Restrictions and other significant limits concerning the transfer of own funds within the Group (Art. 436 c) CRR)

It is generally possible to transfer funds within the Group, but such transfers can be restricted due to existing minimum own funds requirements and other legal obligations or regulations which have been imposed on the Group, its parent companies or any Group companies and subsidiaries.

With the exception of relevant regulatory approval requirements, the SSEHG Group currently has no existing or foreseeable significant factual or legal obstacles to the prompt transfer of own funds or the repayment of liabilities between the parent company and its subsidiary.

2.4 Structure and Business Model

Since May 4, 2015, State Street Europe Holdings Germany S.à r.l. & Co. KG, Munich (SSEHG KG), has been the parent company of the European subgroup (hereinafter "Group") of State Street Corporation, Boston, USA (SSC). The sole personally liable general partner is State Street Luxembourg S.à r.l. Luxembourg ("SSL"). The structure of the subgroup can be found in Chapter 2.2.

SSBI is the legal entity that constitutes the Group's operating company and was founded in 1970 as a provider of innovative solutions for the global custody and management of securities. It has been a deposit 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 2020 SSBI , with its headquarters in Munich, maintained a domestic branch in Frankfurt am Main, an office in Leipzig, a foreign branch office in Zurich and London, and EU branch offices in Amsterdam, Milan (with another office in Turin), Vienna, Luxembourg, Krakow (with another office in Gdansk) and Paris. SSBI employed a total of 8,220 (previous year: 7,260) people on average in 2020. SSHG, an additional group entity, employed an annual average of 2 employees (previous year: 3), while SSEHG KG, as in the previous year, had no employees. The European subgroup had a total of 8,222 (previous year: 7,263) employees on average during 2020.

SSBI concentrates on the specific requirements of exclusively 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 proprietary trading[6] in forward exchange transactions
- Proprietary trading[7] 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 carries out money market transactions and invests, inter alia, in securities and syndicated loans (leveraged loans). In 2020, SSBI implemented the European product, European Fund Finance, ("EFF") for the Global Credit Finance business unit. This is a product range where lines of credit, fixed-term loans and stand-by letters of credit are provided primarily to investment management companies of regulated, lightly regulated and unregulated funds. In addition, the credit and liquidity needs of corporations, insurance companies and asset managers arising from their investment activities as part of their portfolio management are also addressed.

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

The external rating of AA- issued to SSBI was confirmed on June 9, 2020 by S&P Global Ratings Europe Limited, German Branch.

[6] Those trades refer to customer-induced transactions which are closed out by means of back-to-back transactions with affiliated companies. SSBI does not trade for the purpose of short-term profits and therefore positions are not intended to have a speculative component. On the other hand, currency swaps are closed with SSBT, which aim the optimization of the balance sheet structure.

[7] As principal, SSBI 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 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.

3 Risk Management

3.1 Structure and Organization of Risk Management (Art. 435 CRR)

According to the Partnership Agreement, SSEHG KG is managed by the “Managing Limited Partner” (“MLP”). Decisions at the level of SSBI or SSEHG Group are approved by the respective appropriate decision making body or person, this means by the Executive Management Board (“EMB”) of the SSBI and/or the MLP of SSEHG KG. As the superordinate institution of the SSEHG financial holding group SSBI is responsible for ensuring an adequate business organization (including risk management). At the level of the Group, there is a Service Level Agreement between SSEHG KG, SSBI and all other group companies.

The EMB of SSBI as the competent decision-making body, is responsible for risk management and the implementation of appropriate risk management procedures. The EMB of SSBI ensures that the risk management system is appropriate based on the alignment of the business strategy and based on the risk profile of the Bank and Group.

In this context, the EMB is directly responsible for determining management targets, risk standards, measurement methods and risk tolerance, and for managing risk. The corresponding EMB requirements are the subject matter of the business strategy and the risk strategy derived from it. The risk controlling function required by AT 4.4.1 No. 2 of the Minimum Requirements for Risk Management (“Mindestanforderungen an das Risikomanagement”, “MaRisk”) is performed by the Risk Management department of SSBI with the Head of Risk Controlling also being able to draw on resources from other departments within the Bank to complete the assigned tasks. These methods are reviewed at least annually.

The Three Lines of Defense Framework

SSBI’s approach to risk management involves all levels of management, from the Board and its committees to each business unit and each employee. Responsibility for risk oversight is allocated so that risk/return decisions are made at an appropriate level, and are subject to robust and effective review and challenge. Risk management is the responsibility of each employee, and is implemented through a Three Lines of Defense framework.

- *First Line of Defense:* the Business and Functional Units who perform day-to-day operational and/or support activities that may give rise to risk operate as the First Line of Defense (FLoD). The FLoD owns the risks associated with their activities and is responsible for establishing effective internal controls to manage such risks to an acceptable level and promoting a strong culture of risk awareness.

- *Second Line of Defense:* control functions independent of the FLoD, such as Enterprise Risk Management, and Corporate Compliance, operate as the Second Line of Defense (SLoD). The SLoD is responsible for either setting the Corporate Risk Appetite or recommending the Compliance Risk Tolerance limits; developing policies and procedures to evaluate whether risks are contained within the appropriate limits; monitoring risk-taking; monitoring and testing compliance with laws independently of the FLoD; and providing credible review and challenge to the FLoD risk management practices.

- *Third Line of Defense:* corporate Audit operates as the independent Third Line of Defense (TLoD). The TLoD is responsible for assessing the effectiveness of the First and Second Lines of Defense as it relates to managing risk and providing reporting to the Board of Directors and management.

As part of the second line of defense the Risk Management department is the central department responsible for the development and definition of the risk management process and covers all relevant risk categories. In particular, the department is responsible for the definition of methods to identify, monitor, control and report on risks. Because it is embedded in the group-wide risk management process of SSC and in the risk management organization, the Risk Management department also serves as an interface for the risk management function at the SSC Group level.

Day-to-day risk management, i.e. the business-related identification, assessment and monitoring of risks, is performed by the individual departments (first line of defense). The central Risk Management department acts in a supporting role in this regard and ensures that the individual departments perform this function in accordance with the existing risk monitoring culture and the corresponding SSC guidelines applicable throughout the Group. It also ensures that the concepts and methods developed by the department in keeping with the respective regulatory requirements are implemented.

Furthermore, the Credit Risk department which is assigned to the Risk Management department, monitors credit risks in all lending portfolios and approves the internal ratings of customers and counterparties.

Within SSBI, the Risk Management department is responsible for managing, monitoring, and reporting on interest rate risks. As part of its supervisory reporting, the Finance department regularly measures the liquidity indicator (“Liquidity Coverage Ratio”, “LCR”) of the Group and the Bank according to the supervisory definition and reports on it as required. Liquidity risks (including stress tests) are measured, monitored, and reported on regularly by the Treasury, and Risk Management departments.

The Risk Management department carries out the internal process of monitoring the capital base of the Group and SSBI to ensure capital adequacy.

A Risk Management Committee and an Asset Liability Committee (“ALCO”) are set up to implement risk management objectives and for overarching (risk) management purposes. In the fiscal year 2020 the aforementioned committees met on a monthly basis. As sub-committees of the Risk Management Committee, a Credit Risk Committee and the Non-Financial Risk Committee met on a monthly basis during 2020.

The Compliance Committee enables the EMB of SSBI to oversee the remediation of high and critical issues as well as the timely implementation of upcoming or changed regulations.

In addition, a Recovery & Resolution Planning (“RRP”)-Committee meets on a quarterly basis. The RRP Committee is responsible for preparing, implementing and revising the Recovery Plan of the SSEHG Group.

The Crisis Executive Response Team for Recovery (“CERT-R-GmbH”) for SSBI ensures the timely and coordinated execution of SSBI’s recovery strategy by, among other things: (1) serving as a focal point for escalation of, and monitoring and reviewing, the status of capital, liquidity and financial metrics and recovery-related activities and (2) initiating the relevant communication to stakeholders. CERT-R-GmbH is activated by the EMB at the beginning of recovery, upon the occurrence of those triggers and deepening stress conditions specified in SSEHG Group’s Recovery Plan.

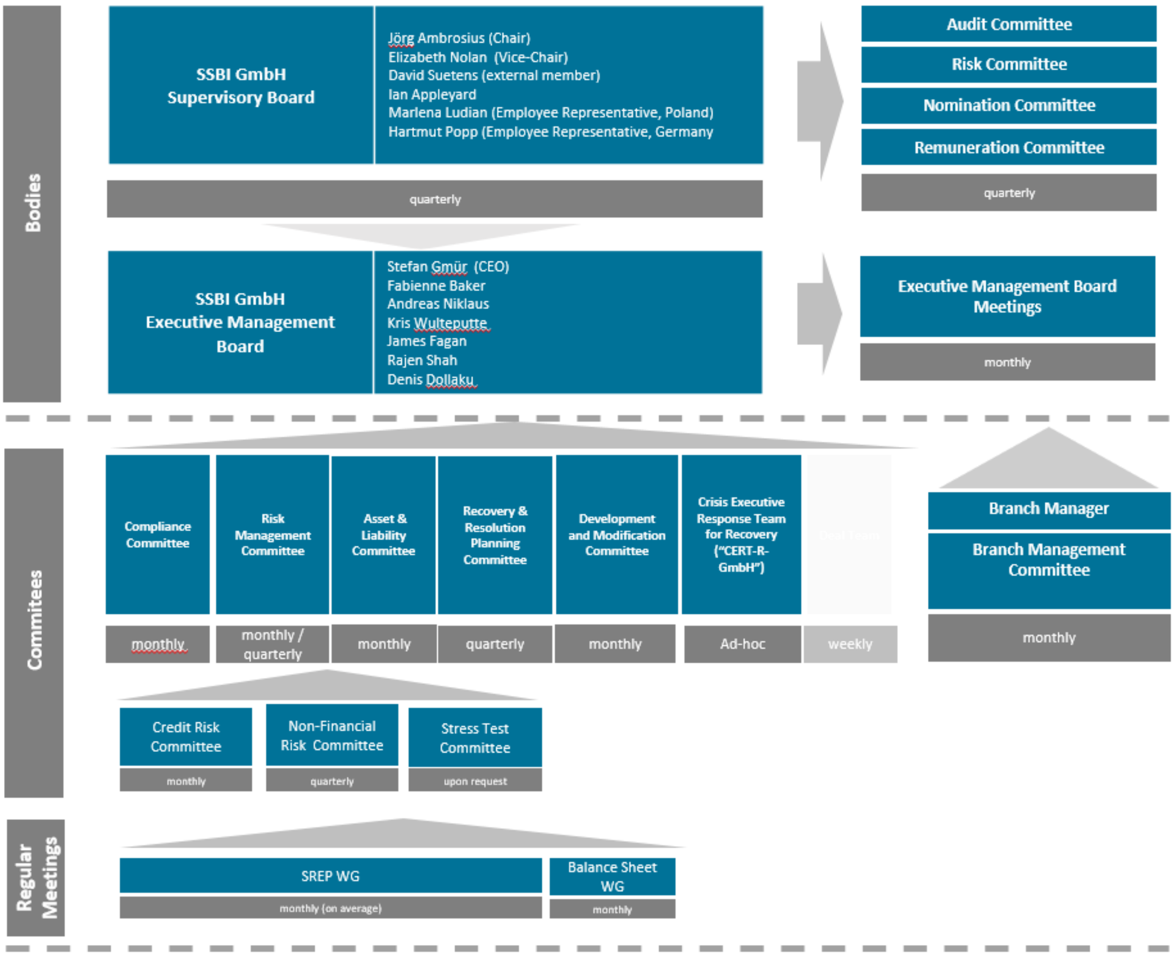
Furthermore the Development and Modification Committee (“DMC”) meets on a monthly basis. The aim of the DMC is to support the review of (1) new or materially changed products and services, including the launch of existing products and services in new markets (“New Business and Product Review and Approval”, “NBPRA”), (2) modifications of operational processes or structures („Global Transition Risk Assessment“, „GTRA“), and (3) mergers and acquisitions (“M&A”), as “Adjustment Process” to enhance the ability of SSBI to implement change, while evaluating both SSBI’s capability and resources to offer the proposed service or product, assessing business, operational, reputational and other associated risks, and evaluating their impact on capital and liquidity requirements and resolvability amongst other relevant considerations.

The Deal Team of SSBI is primarily responsible for ensuring a rigorous process around new business, request for proposals, rebids, reprices, and fee concessions to ensure that new business onboarding or extending existing business relationships meets the goals of SSBI from a regulatory, servicing and financial standpoint.

The Risk Committee of the Supervisory Board advises and assists the Supervisory Board of SSBI in fulfilling its oversight responsibilities relating to the operation of the risk management framework. The Risk Committee of the Supervisory Board meets on a quarterly basis.

The following illustration depicts the structure of risk management and relevant committees of SSBI as of December 31, 2020.

Illustration 2: Structure of Risk Management Committees (simplified overview)



Internal Audit (third line of defense) is organizationally assigned to the speaker of the Bank's EMB and reports independently to the entire EMB. The separation of functions between front and back office and between trading, settlement/monitoring and risk controlling, which is strictly required by MaRisk, is taken into account on all hierarchical levels of the organization in the internal control procedures.

Internal controls are based on the internal control system (“ICS”):

- The ICS implemented at SSBI consists of rules on structures and procedures as well as risk management and monitoring processes, a risk controlling function, and a compliance function
- Internal Audit reviews all business fields independently from processes in accordance with legal requirements, both at regular intervals and by means of special audits. This involves, in particular, auditing the effectiveness, appropriateness, and efficiency of the risk-relevant processes, and therefore, the quality of the overall risk management process. Internal Audit is independent and reports directly to management

SSBI is incorporated into SSC’s Sarbanes Oxley Act Section 404 control process. In addition, SSBI is also included in the global control examination process (GFAC) within SSC, conducted by an external auditor who publishes the results every six months in an SSAE 16 report (Type II report).

The strategies and organizational guidelines to risk management are as follows:

- Risk Appetite Framework
- Risk Strategy
- Capital Adequacy Statement
- Liquidity Adequacy Statement
- Recovery Plan

As part of the above mentioned organizational guidelines, general risk management principles that adequately describe the overall risk profile are defined and implemented at both the SSBI and the Group level. The risk profile is monitored regularly by means of suitable early warning and key performance indicators and managed accordingly, while the business model, taking into account any new products and services, forms the respective basis for updating the overall risk profile. The respective risk management objectives, as well as the risk management policy, including corresponding risk tolerances, are explained in the risk report for each material risk category in chapter 3.2.

The explanations on risk management presented in this and the following chapters are to a large extent taken from the management report of SSEHG Group. Where necessary, these are supplemented to ensure required disclosure under Part 8 of the CRR.

3.2 Material risk types (Art. 435 (1) a) to d) CRR)

The most significant types of risk for the SSEHG Group and SSBI as of December 31, 2020, are described in more detail in the following sections. Based on the structure of the Group and Bank’s risk strategy, the nature and scope of risks, the type of strategic response, the quantification of risks, and risk management are addressed.

The key risks are quantified in Pillar 2[8] on the basis of internal models. In addition, regular stress tests are conducted for material risk categories and complemented by reverse stress tests.

The analysis of the relevance and materiality of each risk category is performed at least once a year, and also on an ad hoc basis, taking the form of a cross-departmental risk inventory. The assessment is performed based on a structural analysis of qualitative and quantitative factors.

[8] Pillar 2 describes the economic perspective of the ICAAP, also referred to as economic capital adequacy

The types of risk presented in Table 3, both for the Bank and for the Group, have been rated as material on the basis of the overall risk profile of the Bank or MaRisk requirements.

Table 3: Material risk types both for SSEHG Group and SSBI

Risk category	MaRisk requirement	Internal treatment
Credit risks	significant	significant
Investment portfolio Mark-to-Market risks[9], interest rate risks	significant	significant
Operational risks	significant	significant
Business risks	n/a	significant
Liquidity risks	significant	significant
Reputational risks	n/a	significant
Risks from pension obligations	n/a	significant
Model risks	n/a	significant

It should be noted, that market risk is not explicitly mentioned as a material risk in the list above but is considered to be significant. Several risks that cover market risks, such as investment portfolio risk, which covers both the market risk and the interest risk, are considered to be significant.

Material risks and related risk management processes and strategies are explained in the following chapters.

3.2.1 Credit risks

Risk definition

The Group assumes SSBI’s credit risk in its traditional lending business (such as loans), in its investment portfolio, and in its direct and indirect trading activities, such as debt securities, foreign exchange, and securities lending transactions. SSBI also assumes credit risk in its day-to-day treasury, securities, and other settlement transactions, in the form of deposits and other cash balances at central banks or private institutions.

Counterparty default risk is defined as the probability of losing current or future income or capital due to the inability of a debtor to meet its contractual obligations.

The credit risk includes the credit concentration risk of individual counterparties, which represent a risk concentration due to the size of their position. It also includes risk concentration arising from a common underlying factor in the risk positions within a single risk category, such as, for example, geographical or sectoral factors, or the type of lending exposure. Concentration risks from significant exposures with respect to groups of counterparties can also be influenced by additional factors such as which sector the parent company belongs to, its home market and its geographical location.

Risk strategy

The approach taken to risk strategy provides for a diversification of the loan portfolio, which includes managing exposures with single counterparties and generally granting loans only to debtors with an investment grade rating. For this purpose, corresponding indicators and limits have been established by the Bank in accordance with its risk appetite and are subject to constant monitoring.

Furthermore, the risk strategy of SSBI provides for daily monitoring of counterparty default risks using a comprehensive system of limits. Establishing limits and monitoring compliance with limits are core components of the risk minimization process. Limits for on-balance sheet and off-balance sheet items are assigned internally and are not normally communicated to counterparties and customers.

[9] Analogue to the CRR and the MaRisk the terms “market risk” and “mark-to-market risk” are used as synonyms

Risk position

SSBI is exposed to credit risks from the following products:

- Utilization or exceedance of non-approved internal limits by customers within the course of depositary and custody activities. As a rule, there is no collateral beyond the contractually agreed liens (if possible)
- Utilization by certain customers of limits that have been communicated but can be canceled at any time.
- Credit balances on current accounts at other banks, used primarily to settle customer transactions. The positions are not secured by collateral
- Short-term investments of cash surpluses at third-party banks (including central banks) with only immaculate credit ratings. No collateral is provided for these transactions
- Securities repurchase transactions with SSBT, whereby credit risks exist in relation to SSBT
- Investments in securities denominated in euro and US dollars: asset-backed securities, collateralized debt obligations, residential mortgage-backed securities and covered bonds, short-term money market or commercial paper securities, corporate bonds, government bonds (sovereign bonds) and those issued by supranationals and European Union agencies
- Investments in leveraged loans
- Securities repurchase transactions with banks and customers resulting in amounts receivable
- Cash receivables from customers arising from the enhanced custody business
- Principal broking services and agent fund trading.
- Variable-yield securities (investment fund units) related to employees voluntarily converting salary components into savings for their pension plans.
- Customer-initiated forward exchange contracts
- Approved credit lines to customers (including EFF)
- Credit risks arising from loans that have not yet been credited to the issuer of securities purchased within the framework of repurchase transactions
- FX swaps
- Unsecured deposit transactions (unsecured placements) with SSBT

Through its operating entity, SSBI, the Group invests in large and highly liquid leveraged loans to further diversify its portfolio and improve its net interest income. The higher risk of default on investments in leveraged loans is considered by means of a general risk provision. The amount of the general risk provision is determined on the basis of the exposure at default (EaD), taking into account the probability of default (PD) and the level of losses in the event of default (loss given default - LGD). In the area of SSBI's general lending business, including leveraged loans and securities investments, the necessary individual risk provisions were created as of the reporting date.

No write-down on receivables from the lending business has been necessary so far, but losses were partially realized through sales from the leveraged loan portfolio.

Risk quantification

The internal rating system quantifies the default risk of a counterparty using a 15-point scale. This methodology corresponds to the internal ratings-based approach used at SSC level (IRBA Advanced). External ratings by Moody's, Standard & Poor's, Fitch, and DBRS are used for securities repurchase transactions and for the securities held in the portfolio and are allocated to the internal ratings where appropriate.

To measure the equity backing for counterparty default risks in Pillar 1, SSBI applies the credit risk standardized approach and the financial collateral comprehensive method (with regard to repurchase transactions and foreign exchange transactions pursuant to the CRR).

The risks are quantified in Pillar 2 on the basis of an internal model that determines the economic capital requirements as an income statement add-on based on internal through-the-cycle ratings. Moreover, future changes in ratings that lead to higher capital requirements are assumed.

The loan portfolio's risk of default (EaD excluding securitization transactions: EUR 47bn) is 0.20%. This corresponds to an average rating of SSC5, which represents an external rating of BBB+/BBB (S&P) and BAA1/BAA2 (Moody's).

Credit risks are measured and monitored in order to ensure compliance with the risk appetite for such risks. This is done using the expected value for losses in the loan portfolio with a time horizon of 12 months, among other things. As of December 31, 2020, the expected value was EUR 45.9mn.

Risk management

The internal rating system is a central element in managing counterparty default risks. The internal rating of a counterparty is considered when deciding whether to accept business from a new customer. This rating represents the basis for setting internal limits, taking into account further customer-specific information and the relevant regulatory requirements. The creditworthiness of counterparties and customers is reviewed at least once annually. The resulting ratings are updated accordingly on a regular basis.

Securities held in the Bank's own portfolio and securities acquired as collateral for repurchase transactions are subject to qualitative and quantitative limits which consider the respective ratings made by external agencies.

In addition, they are monitored regularly by means of analyses and using a scenario-based stress test for the securities held in the Bank's own portfolio.

Provided the criteria stipulated by the CRR are met, the securities acquired as collateral for repurchase transactions and foreign exchange transactions are included in the securities calculated using the comprehensive method. Under the ICAAP, all securities are deemed to be collateral from an economic risk perspective after considering an appropriate haircut.

Forward exchange contracts with customers are only entered into once the trading limits have been granted. These are set on the basis of the individual ratings and the customer’s volume of securities. Any deterioration in the customer’s credit rating during the term of a contract leads to more intensive monitoring of the customer’s circumstances and may result in the transaction being canceled.

3.2.2 Investment portfolio Mark-to-Market risk and interest rate risks

Risk definition

As Custodian SSBI accepts customer deposits and invests those in a diversified pool of assets. As part of SSBI’s banking activity the Group takes on market risk, which refer to the balance sheet structure, specifically Customer deposits and the bank’s own investment portfolio. Market risk is a financial risk inherent to banking and is driven by unfavorable development in market parameters. In the case of SSBI this risk essentially is stemming from changes in the market rate environment as well as changed credit spreads attached to investment portfolio securities.

Declines in the market value of the portfolio can impact certain regulatory capital ratios, the overall capital adequacy of the Bank, its liquidity position, and clients’ perception of the Bank’s financial position.

Risk strategy

The Group’s strategic approach to risk with regard to market price risks generally corresponds to that of SSBI. with market risk being assessed prior to taking on the respective risk position followed by subsequent close and regular monitoring. SSBI pursues a liability driven investment strategy, with primarily stable customer deposits stemming from the custody business mainly being invested in financial assets with a short remaining maturity or in case of longer tenors mainly in high quality liquid assets. The aim is to align assets cash flows and interest rate sensitivities in terms of maturity and currency composition to the modeled liabilities. Acceptance of risks arising from changes in market prices, especially for securities, is necessary to a certain extent, in order to manage assets/liabilities effectively. Overall market risk is managed within limits established at the SSBI level.

Risk position

SSBI's liabilities are mainly comprised of non-maturity deposits, which are invested in interest rate and in parts credit spread sensitive financial assets (e.g. securities, loans and overdrafts, reverse repurchase agreements, deposits with central banks). The majority of those financial assets is due daily or shows short-dated interest rate reset frequencies. With regard to customer deposits without any fixed date of maturity, the risks are modeled based of historical data that consider three key factors:

1. Core balance volatility
2. Attrition curves
3. Rate paid functions

The investment portfolio is the biggest contributor to market risk on the asset side. Investment portfolio securities are allocated to the banking book with a hold to maturity intent. No impairments were recorded in the reporting period. Over the course of the reporting period the Investment portfolio increased further, with the coupon structure remaining constant with the majority showing a fixed rate coupon. Investment portfolio securities face daily market volatility, which can result in changed market values. Such changes can derive from changed credit spreads or changes in market interest rates. In terms of interest rate risk the modeled rate risk from customer deposits counterbalance the respective increased interest rate risk of the Investment portfolio and vice versa through which the overall risk position is moving within limits.

While there are marginal risks related to foreign exchange exposures carried in the Group's own accounts, customer funds denominated in foreign currency are invested in the same currency or secured by entering into foreign currency derivatives so that no additional currency risk is generated.

In addition, to a limited extent, market price risks can arise from variable-yield securities (investment fund units) acquired within the framework of SSBI employees voluntarily converting part of their salary into savings for their pension plans.

Risk quantification

As part of the annual Material Risk Inventory (MRI) the group performs a comprehensive assessment of market risk. The identification of market risk is based on an analysis of its offered products and services as well as all on and off-balance sheet driven market risks. Market risk is assessed as a material risk and are quantitatively considered as part of the group's ICAAP and risk appetite.

To identify, assess, measure, monitor and report market risk the group has implemented qualitative processes as well as a multi-stage quantitative risk limit system. This includes supervisory required interest rate shocks as per BaFin circular 06/2019 (BA) as well internally developed scenarios, which include non-parallel interest rate scenarios as well as credit spread risk shocks. The bank measures and monitors market risk by running value and earnings-based metrics at a minimum on a monthly basis and informs senior management as part of the monthly Management Information system (MIS).

As per the effective date December 31, 2020 the value at risk metric (RAS metric MTM Investment Portfolio, one month holding period, 99% confidence level) was quantified at EUR 138m, while potential economic value change of interest rate sensitive positions (+/-200bps parallel shock of the yield curve as per BaFin circular 06/2019) was -3.80% of the regulatory own funds.

In line with the classification 'banking book', short-term changes of market values do not impact the bank's regulatory capital number and with that e.g. credit spread driven changes to market values are only being considered as part of the ICAAP economic perspective. The quantification is done using a Monte Carlo based model, through which the fair value of market risk positions is recalculated considering defined credit spread risk scenarios.

As part of the regular ICAAP monitoring Interest rate risks in the economic perspective are being quantified using a 99.9% confidence level. In the normative perspective Interest Rate Risk is considered as part of the annual stress test scenarios which validity is being reassessed on a quarterly basis. For trading book positions interest rate risks are being quantified in line with CRR requirements.

Structural FX risks are not assessed as material risks and are only quantified for CRR Pillar 1 purposes. For Pillar 2 purposes FX risks only will be quantified in case they are assessed to be material, using a Value-at risk (VAR) model at the 99.9% confidence level with a one year holding period. As per end of 2020 structural FX risk was not assessed to be material. Client driven FX trades are closed back-to-back with SSBT and are monitored daily to ensure correct processing and compete coverage. Market price risks related to the collateral accepted in relation to security repurchase transactions are quantified quarterly with regard to the risks from interest rate changes as well as for changes to the credit ratings of the market participants. The application of a suitable haircut within securities repurchase transactions allows the Bank to mitigate market price risks resulting from fluctuations in exchange rates or prices. In addition, the securities received as collateral are marked to market daily, using current market prices from an independent source, to avoid undercollateralization.

A breakdown of the own funds requirements for market and settlement risk positions (calculated in accordance with the standardized approach) as of December 31, 2020, can be found in the following table:

Table 4: Own funds requirements for market and settlement risk positions according to Art. 445 CRR

Exposure Class/Risk exposure	SSEHG Group	SSBI
Position risks in traded debt instruments	88	88
of which: general risks	*88*	*88*
of which: specific risks	-	-
of which: for non-securitisation debt instruments	-	-
of which: for securitisation debt instruments	-	-
Equity risks	-	-
Foreign Exchange risks	-	-
Commodity risks	-	-
Large exposures exceeding the limits specified in Art. 395 -401 CRR	-	-
Own funds requirements for market risks	88	88
Own funds requirements for settlement risks	-	-

The following table presents the quantitative impact of the regulatory interest rate shocks in the banking book on the Bank's Total Own Funds as of December 31, 2020. The analysis reflects the full balance sheet and the risk appetite metric as defined by the EMB in the Risk Appetite Framework. In addition, the bank quantifies interest rate risk by running the "supervisory outlier test" in line with the requirements of the BaFin Circular 06/2019 (BA) as well as EBA/GL/2018/02. In line with the new circular and guidelines, the bank considers material foreign currencies as well as the defined currency aggregation rules. As per 2020 year-end only USD and GBP met the material currency threshold. As per the new BaFin circular requirements around interest rate risk are applicable at the bank as well as the group level.

Table 5: Impact of interest rate shocks on the total own funds of SSEHG Group and SSBI according to Art. 448 CRR

Present value change	Interest rate risks in the banking book Interest rate shock – parallel shift of the yield curve:			
	+200 BPs		-200 BPs	
	SSEHG Group	SSBI	SSEHG Group	SSBI
in kEUR	-78,370	-25,772	-122,821	-124,668
thereof: EUR	*-304,746*	*-252,149*	*61,302*	*59,455*
thereof: other significant currencies: USD	*178,836*	*178,836*	*-161,559*	*-161,559*
thereof: other significant currencies: GBP	*47,541*	*47,541*	*-22,565*	*-22,565*
in % of the total own funds	-2.4%	-1.1%	-3.8%	-5.5%

Risk management

Generally, securities held in the Bank's own portfolio are limited in terms of quantity and quality, and they are analyzed in detail and discussed both during special quarterly meetings and also monitored at the monthly management meetings of the Asset Liability Committee and the Risk Committee.

Limits have been implemented for the individual scenarios involving changes in interest rates, which are subject to regular monitoring. The balance sheet planning, including the planned changes to the investment portfolio, are also discussed regularly within the monthly Asset Liability Committee in order to ensure a comprehensive picture of the balance sheet risks accepted by the Group.

The FX positions resulting from own-account trading are subject to a system of limits, and compliance with these limits is monitored weekly. Any breaches of limits are clarified immediately with the front office, which ensures that foreign exchange transactions are offset with SSBT accordingly.

The results of the overall risk quantification of market price risks are made available to the EMB as part of the monthly capital adequacy assessment, as well as in the monthly reports from the management information system ("MIS"). Generally, the Risk Management uses the Three Lines of Defense model to manage market price risks. In the first line of defense, Global Treasury and Global Markets monitor the risk position of the Group in relation to market price risks. In the second line of defense, Risk Management is responsible for setting up risk management processes and the corresponding applicable system of limits and monitoring and reviewing the Group's risk profile. In the third line of defense, Internal Audit guarantees an independent and objective assessment of the structure and operational effectiveness of the Group's internal control system and therefore ensures a holistic approach to managing market price risk.

3.2.3 Operational risks

Risk definition

Operational risks arise from breakdowns in operational processes, human error, or from external events. SSBI is the only operating entity within the Group. In contrast to financial risks, which are accepted in order to earn profits, operational risks at SSBI are assigned to non-financial risks, together with technology and compliance risks. The effects of operational risks can include financial losses, damage to reputation and status, but also include SSBI customer damages or losses.

Risk strategy

The goal of SSBI is to remove or minimize operational risks as much as possible. The Bank's strategy focuses on the early recognition of operational risks. This approach ensures that the measures taken to mitigate risks are appropriate for the continuous monitoring of residual risk. When combined with relevant reporting and escalation levels, this should ensure effective management of operational risks within the context of the internal control system.

Compliance with relevant legal and regulatory requirements is a critical component of SSBI's business activities. The responsibility for compliance with these requirements lies with every individual employee and is also the responsibility of the relevant line departments or corporate functions within the Bank. Compliance Management and Risk Management provide a framework with a documented set of rules under which the Bank operates as required by its regulatory, contractual and legal obligations (e.g. operational risk policy and standards).

Risk position

Operational risks are significant risks in SSBI's business operations. They affect services and products, and the technologies, processes, employees and service providers used by SSBI. They consequently include, among others, IT risks, outsourcing risks, legal risks and compliance risks as described in more detail below.

IT risks include the risks associated with the use, ownership, application and integration of information systems. Risks may arise from events such as system failures, incidents relating to information security and data privacy, or may be caused by gaps in internal controls and processes or in the process of integrating new technologies/systems. Clear responsibilities have been defined to identify, manage, measure, and monitor IT risks, and these have been integrated into the internal control systems.

Outsourcing risks can occur with services and products supplied by outsourcing companies, as well as the technologies and processes used for these. SSBI is exposed to outsourcing risk largely due to its dependence on the timely and correct rendering of services by the service provider. Given the rising number of outsourced operations, the overall potential outsourcing risk is also higher.

At SSBI, legal risks represent the risk of the losses that could arise from not performing contractually agreed obligations, or from the contractual arrangement itself, and can also include the risk of potential litigation arising in association with SSBI's business activities.

Compliance risks exist both from an external and an internal perspective. On the one hand, SSBI operates within a complex legal and regulatory environment that is constantly evolving. On the other hand, it must adhere to internal rules and guidelines, which also apply within the entire State Street Group.

Ongoing initiatives, new regulations, changes to existing business processes and (additional) outsourcing by SSBI or customers/other group companies or insourcing from customers or other group companies can also increase operational risks.

Risk quantification

Risk quantification takes place through the creation of the risk inventory based on the annual Integrated Non-Financial Risk Assessment (INFRA) and the annual recording of material risks as part of the Internal Capital Adequacy Assessment Process (ICAAP). Operating gains and losses incurred are recorded in a structured fashion in a loss event database and monitored closely. The results are used to define specific measures to avoid risks in the future.

To measure the capital charges for operational risks in Pillar 1, SSBI applies the standardized approach pursuant to the CRR. The Bank uses a forward-looking scenario-based approach which assesses future operational risks to complement the internal and external loss histories when measuring its capital requirements for operational risks in the ICAAP and in the capital adequacy concept pursuant to the Minimum Requirements of Risk Management at Financial Institutions (Mindestanforderungen an das Risikomanagement, MaRisk). Estimated losses and probabilities are calculated at different confidence levels for various scenarios during workshops, and are subsequently run through a Monte Carlo simulation. The results are used to quantify operational risks under Pillar 2 under the economic approach.

Operational risks are measured and monitored in order to ensure compliance with the risk appetite for such risks. This includes a measurement of actual and potential losses (including creation of reserves) on a rolling 12-month basis. As of the close on December 31, 2020, they amounted to EUR 10.5mn.

The required information on operational risk in accordance with Art. 446 CRR can be found in the section4.3.

Risk management

Extensive risk mitigation measures, ranging from measures inherent to the processes to process independent measures, are used to manage operational risks. The measures that are inherent to the processes include the identification of potential operational risks before the Bank is actually exposed to them (selective approach) and also the analysis, management, and monitoring of existing operational risks. Process-independent controls consist of the Internal Audit department and a comprehensive program of monitoring and auditing measures conducted by the Compliance department.

The Compliance Oversight Program offers a group-wide framework for creating an inventory of regulatory requirements, communicating these requirements to the business units concerned, choosing the appropriate measures for managing risks, and for addressing any compliance findings. It provides these to the business units in the form of a summary of its regulatory requirements, risks, corresponding risk controls, and suggested solutions for compliance issues. This framework constitutes a comprehensive and consistent approach for managing compliance risks.

Furthermore, the Compliance department monitors the relevant legal and regulatory environment, as well as group-wide and specific local internal requirements. In this way, it creates a foundation for continuous compliance with all requirements. Compliance with the required controls is monitored by a comprehensive program of ongoing tests. The future development of the legal and regulatory environment in every country in which SSBI maintains branches is analyzed in a structured fashion, not only at a global and European level, but also at a local level. The latter serves to identify the need to implement any new measures in the short to medium term so as to ensure ongoing compliance with the changing legal and regulatory requirements.

The legal framework conditions for the business activity and the Bank's contractual documents are managed by the central legal department based on group-wide standards. There are corresponding escalation processes in place to deal with deviations from these standards.

SSBI has documented the framework for outsourcing work. The EMB has, by formal resolution, entrusted one of its members (Outsourcing Executive) with overall functional responsibility for outsourcing to third parties. The Outsourcing Executive is supported by an Outsourcing Oversight Officer, who acts as the central coordination point for all the departments involved. The feasibility of any intended outsourcing is reviewed with regard to legal and supervisory requirements.

The risks associated with the corresponding outsourcing arrangement are presented in a comprehensive risk analysis. The risk profile for the outsourced operation is then calculated on this basis. The degree of detail of this risk analysis is determined by the nature, scope, and complexity of the outsourcing arrangement.

SSBI regularly monitors and evaluates the performance of the service provider as part of its quality assurance process. Regular service calls and reporting of key performance indicators (KPIs) are essential components of day-to-day risk management. KPIs are mostly based on two main criteria: “timeliness” and “accuracy”.

The Bank-wide Non-Financial Risk Committee is a key component in addressing operational risks.

3.2.4 Business risks

Risk definition

Business risks comprise the risks arising from changes in the business and regulatory environment, including the risk of business developing differently to the business plans and strategy.

In the pursuit of its financial goals, the Group maintains a variety of corporate financial performance goals, including operating revenue growth and operating return on equity. These goals are established by the EMB as part of the long-term planning process and the annual approval of the budget, in order to meet its financial goals while balancing the needs of all of its stakeholders.

In addition, the Group seeks to avoid extreme earnings volatility. To meet this objective, it looks for diversified business activities that produce a steady stream of income, such as: asset management activities that meet customers' needs; lending activities that support institutional investors; trading activities that support other customer services; and an investment portfolio predominantly comprising highly-rated liquid securities and related interest rate positions, and funded by stable customer deposits.

The Group also strives to avoid undue exposure, risk concentrations and the like during ordinary business activities, as well as in the event of geopolitical, macroeconomic, and market shocks.

Diversification across different businesses, countries, and risk types is an important consideration in managing the Group's risk and earnings volatility.

Risk strategy

The risk strategy is based on early recognition of potential business risks and on ensuring that the implemented risk mitigation measures are appropriate, to the extent this is possible given the nature of the risk.

Risk position

Any business activity involves taking business risks, regardless of the specific nature of the business. The wide array of variables in the daily business environment makes complete planning certainty impossible.

In particular, the business risks for the Group arise from the high degree of dependence on changes in the legal environment (e.g., changes to regulations governing the custody business or tax aspects). Additional risks arise from customer and sector concentration, as well as from the dependence on existing infrastructure in the financial markets (e.g., settlement systems). Business risks can also arise from changes in the global business model, as well as from the rising trend to outsource certain business activities of SSBI or of customers/other group companies.

The Group also bears foreign exchange risk in its business strategy resulting from income and capital reserves in foreign currencies at the respective branches outside the eurozone.

Risk quantification

Business risks, including their causal factors, are analyzed regularly and on an ad hoc basis within the framework of the business strategy and the risk inventory.

The Group has implemented a change management process to assess the adequacy of new products (or their distribution to new markets), of adjustments made to existing processes, and of mergers or acquisitions.

The Group uses a scenario-based approach to assess future strategic risks.

In SSBI's risk taxonomy, foreign currency risks from non-EUR income are included under business risks. For ICAAP purposes, these foreign exchange risks are quantified using a statistical model. The aforementioned risks are thus accounted for within the overall capital adequacy assessment.

Risk management

The Group regularly monitors changes in the legal and regulatory banking environment to ensure a prompt and complete response to such changes. In order to minimize the risk arising from such changes in the environment, the following controls were implemented:

- At least annual revision of the business strategy
- Balanced scorecards prepared quarterly to review goal attainment
- Regular recording of financial data
- Monitoring the income statement at customer level
- A fee-adjustment process
- Adjustment processes in accordance with AT [General Part] 8 MaRisk
- Regular review of the Bank's governance structure and performance of any necessary adjustments

3.2.5 Liquidity risks

This chapter shows the qualitative and quantitative information regarding liquidity risk, in accordance with Art. 435 (1) CRR and Annex I of EBA's guidelines for the disclosure of the Liquidity Coverage Ratio ("LCR") (EBA/GL/2017/01)[10]. The required explanations and statements regarding liquidity risk management and liquidity profile are provided.

Risk definition

Liquidity risks refer to the risk that payment obligations cannot be met as they become due. The assessment of liquidity risk prospectively measures the future need for available funding to meet obligations. This is compared with the availability of the cash or collateral required to meet these obligations when they fall due. To this end, various sources of funds available under normal and stressed conditions are considered. SSBI is the only operating entity within the Group. SSBI's liquidity management practices use internally defined quantitative liquidity standards, as well as those set forth by supervisory authorities, including the LCR.

As a custodian and depositary bank, SSBI accepts customer deposits and invests them in a diversified pool of investments. In addition, the Bank offers its customers intraday liquidity and, in exceptional cases, liquidity at the end of the trading day. Inadequate management of liquidity risk positions could lead to a liquidity crisis during which the Bank would no longer be in a position to meet its payment obligations. Due to the Bank's size and business activities, such a liquidity crisis would damage its reputation and profitability.

Risk strategy

SSBI pursues a conservative strategy towards liquidity risks, which ensures a high maturity match between asset and liability profiles. SSBI pursues a liability-driven investment strategy, under which the Bank's liabilities consist mainly of stable deposits from the custody business, which are primarily invested in short-term financial instruments or highly liquid instruments.

Risk position

SSBI's liabilities mainly consist of customer deposits from operations, which are coupled with the services rendered by the Bank. Consequently, SSBI does not have to rely on external funding from capital markets. The highly liquid funds provided by customer deposits are primarily invested in highly liquid assets, taking into account the corresponding diversification requirements. As of the balance sheet date, approximately half of these on-balance-sheet assets consisted mainly of short-term receivables from internal repurchase transactions with SSBT and unsecured money market transactions with central banks. The other funds are primarily invested in highly liquid assets that are eligible for lending in accordance with the criteria set by the ECB. Overall, more than three-quarters of the balance sheet assets can be classified in the "highly liquid" category.

Risk quantification

Within the framework of the Internal Liquidity Adequacy Assessment Process (ILAAP), the Bank conducts an extensive annual review of its liquidity risk. Liquidity risks are identified on the basis of an analysis of the products and services it offers, as well as all on and off-balance-sheet liquidity risks.

Liquidity risks were classified as significant for the Bank and also considered as a qualitative item as part of the ILAAP and the ICAAP.

SSBI has implemented qualitative processes and quantitative instruments to recognize liquidity risks at an early stage, and to assess and monitor these risks. The Bank calculates and monitors its liquidity risk both on a daily and monthly basis, using a range of liquidity ratios and early warning indicators. These include the LCR as well as additional internal liquidity ratios. In addition, the liquidity risk is quantified using monthly stress tests of idiosyncratic and systemic scenarios as well as combinations of both of these, in order to be able to model unexpected developments. As of the balance sheet date, the combined scenario – which combines a macroeconomic downturn with an idiosyncratic scenario where SSBI suffers a rating downgrade and subsequently loses a massive outflow of deposits – was the scenario with the lowest liquidity position for SSBI. In this scenario, SSBI's liquidity position remained appropriate. The

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

EMB is also regularly informed through the monthly MIS about the findings of the liquidity stress tests performed and the risk-controlling instruments mentioned above.

To ensure compliance with the risk appetite for liquidity risks, the risks are measured and monitored. Among other things, this is done by using the LCR surplus metric, which amounted to EUR 11.2bn as of December 31, 2020.

Risk management

As with the other risk categories, the management of liquidity risks is built upon three lines of defense. In the first line of defense, Global Liquidity Management records and monitors the liquidity position of the Bank. In the second line of defense, Risk Management is responsible for setting up risk management processes and for monitoring, reviewing and reporting on the risk profile of SSBI. In the third line of defense, Internal Audit guarantees an independent and objective assessment of the structure and operational effectiveness of the Bank's internal control system, thus ensuring a holistic approach to managing liquidity risk.

Liquidity Coverage Ratio (LCR) – General information

As of reporting date, the LCR of the SSEHG Group (consolidated) was 155,8% and the LCR of SSBI (individual) was 151,5%. The LCR was close to the European average of 165,9% in 2020[11].

Over 90% of the Bank's liquid assets are made up from Level 1 assets, which in turn consist half of central bank placements. Client deposits constitute with 90% the main part of the outflows. Three quarters of those are accounted with a reduced weight of 25% as they are operational deposits. Existing credit lines exist amount to a low three-digit million amount, with regular draws only taking place for Leveraged Loans. Next to repurchase agreements a quarter of inflows is made up from short term client overdrafts, nostro balances and open receivables from clearing business.

For FX currency spot and FX forward transactions, the Bank is counterparty to customers and SSBT. Particularly in the context of existing derivatives positions and potential collateral solicitation, additional cash outflows may be required for collateral due to the effects of unfavorable market conditions. The determination of these hypothetical outflows takes place at the Bank according to the so-called Historical Look Back Approach (HLBA) within the meaning of the Delegated Regulation (EU) 2017/2089[12]. Other derivatives transactions are not conducted by the Bank.

As a significant foreign currency in accordance with Art. 415 (2) CRR only the USD exceeded the corresponding 5% threshold as of December 31, 2020, the LCR (in US dollars) was 150.1% for the SSEHG Group and SSBI.

In addition, there are no additional material items for the liquidity risk profile of the SSEHG Group and SSBI that are not described in this Disclosure Report.

---

[11] Source: "Update on the EBA report on liquidity measures under Art. 509 (1) of the CRR" as of December 17th, 2020

[12] Regulation supplementing the CRR with regard to regulatory technical standards for additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on an institution's derivatives transactions

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[13].

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

Table 6: LCR-Disclosure of SSEHG Group (EU LIQ1)

Level of consolidation:	consolidated	Total weighted value (average, in EUR mn)			
Quarter ending on:		03/31/2020	06/30/2020	09/30/2020	12/31/2020
Number of data points used in the calculation of averages		12	12	12	12
21	Liquidity Buffer	30,466	30,164	31,137	31,499
22	Total net cash outflow	16,914	17,156	18,318	19,119
23	Liquidity Coverage Ratio	181.6%	176.7%	170.8%	165.7%

Table 7: LCR-Disclosure of SSBI (EU LIQ1)

Level of consolidation:	individual basis	Total weighted value (average, in EUR mn)			
Quarter ending on:		03/31/2020	06/30/2020	09/30/2020	12/31/2020
Number of data points used in the calculation of averages		12	12	12	12
21	Liquidity Buffer	30,439	30,137	31,137	31,499
22	Total net cash outflow	17,282	17,552	18,755	19,603
23	Liquidity Coverage Ratio	177.4%	172.5%	166,9%	161.6%

Please refer to the comments above on liquidity risk and the general disclosures for the required disclosure of further explanations to supplement the quantitative information provided in Section 19 of EBA/GL/2017/01 (e.g. concentration of funding and liquidity sources or derivative exposures and potential collateral calls etc.) to the LCR.

3.2.6 Reputational risks

Risk definition

Reputational risks are the risk of potential losses arising as a result of the Group or SSBI being perceived in a negative light by customers, counterparties, shareholders, investors, or supervisory authorities.

The Group recognizes that State Street Group's brand value is the firm's most valuable and irreplaceable asset. Reputational damage caused directly or indirectly by the Bank's activities or by external factors may lead to loss of profits, declines in shareholder value, customer attrition, and loss of trust from stakeholders.

Risk strategy

The Group is committed to fostering and maintaining business practices and controls that are consistent with a culture of excellence, high ethical standards, and strong commitments to its employees, customers, supervisory authorities, and the communities in which it operates. The Group seeks to operate, at all levels of the organization, with a clear focus on ethics, personal accountability, and a sense of empowerment – both in achieving its goals and in making the right decisions. In this environment, risks are escalated for review as soon as they are identified, underlying assumptions are constructively discussed, and actual or potential outcomes are viewed in the context of the risk.

[13] As the requirements according to section 14 of EBA/GL/2017/01 are fulfilled both for SSEHG Group and SSBI

Risk position
Reputational risks generally arise from operational and/or compliance risks. Operational errors and/or non-compliance with laws or directives can damage the reputation of the Group among customers, shareholders, investors, and supervisory authorities. In addition, the loss of customers or greater pressure on prices from competitors can have a negative impact on the reputation of the Group, which can also culminate in an elevated level of business risk.

Risk quantification
Reputational risks are heavily dependent on other risk categories. For this reason, reputational risks are also presented implicitly in the other major risk categories. Reputational risk is considered as part of operational risk and business risk when measuring and monitoring risk appetite.

Risk management
The measures to manage reputational risks include, among other things, an analysis of the data relating to events that might trigger reputational damage. These are reported and discussed in the monthly Non-Financial Risk Committee. These include incidents involving operational risks and customer concessions, accidental disclosure of data, customer complaints, and technology risk metrics. The overall risk assessment of the reputational risks, which include the operational, compliance, regulatory and legal situation of the Group, are reviewed quarterly by the Risk Committee.

3.2.7 Risks from assuming pension obligations

Risk definition
The risks from assuming pension obligations are based on contractual commitments or any other obligations undertaken within the framework of a pension plan.

Risk strategy
The risk strategy pursued in this regard is to accept any risks from assuming pension obligations under existing pension plans that are not secured by the pension insurance association, and to assess them on a regular basis. The interest rate risk inherent to pension plans is included in the Group's changing interest rate risk model.

Risk position
At SSBI, these risks arise from a number of different pension plans for which minimum commitments were made and that were either created by the Bank voluntarily to meet its pension obligations towards salaried staff or that were assumed by the Group during the course of acquisitions, mergers, or internal restructuring within the Group. These risks could become relevant if there are not enough plan assets to cover the obligation to pay a pension when it falls due.

Risk quantification
Due to the nature of risks related to pension obligations and the relevant risk factors, existing pension obligation risk exposures are considered as part of interest rate risk. The interest rate risk associated with pension plans is quantified at net present value on a monthly basis by means of the Quantitative Risk Management (QRM) model. This model, which is applied by SSC throughout the Group, simulates both the supervisory interest shock scenarios for the banking book required by BaFin or the EBA, and the internal interest rate shock scenarios for the balance sheet.

Risk management
As a provider of employee pension benefit plans, the Group, through SSBI, is a member of a Pension Insurance Association [Pensionsversicherungsverein] (Section 7 et seq. BetrAVG (Betriebsrentengesetz [Company Pensions Act])) and comparable associations in other countries where the Bank maintains branches or local offices and where the nature of the pension plans so require. The Pension Insurance Association (and comparable institutions) not only insure the present value of pension entitlements, but also future claims.

In addition, the Group regularly monitors the annual actuarial reports on the various pension plans for all salaried employees and the performance of the investment funds in which the contributions are invested.

3.2.8 Model risks

Risk definition

Model risk represents the possibility of negative consequences arising from the incorrect or improper use of models. This can be due to a variety of reasons. The model's design may not fulfill requirements or may provide contradictory results for its intended use. Errors can occur at any time, from the design to the implementation process. The model may be used in an improper or incorrect manner. A group of models where each individual model entails a low amount of risk may represent a higher risk to the Group when aggregated as a whole. Model risks are incurred during ordinary business activities that rely on quantitative analysis and modeling.

Risk strategy

The Group follows a strategy that minimizes model risk by adopting the model risk framework of SSBT.

Risk position

Model risks are risks of financial or reputation loss arising as a result of inadequate decisions based on the flawed development, implementation, or use of internal models.

Risk quantification

Unexpected losses from model risk are covered by a defined amount determined by expert opinion. This amount is based on the following points:

a. The risk quantifications from the economic perspective are risk-sensitive and consistently apply a high confidence level of 99.9%.

b. All models are carefully validated for use for the ICAAP by the Model Validation Group (MVG).

c. The previous quantifications from 2018 and 2019 led to results of approximately EUR 9mn.

Risk management

The Group addresses model risk by adopting the Model Risk Management Policy of SSBT. This policy specifies the requirements, roles, and responsibilities for monitoring the development, validation, implementation, approval and use, periodic review and validation, as well as risk aggregation and reporting of model risk.

3.3 Risk reporting (Art. 435 (2) e) CRR)

The regular risk reporting regarding the risk situation of the Group and the Bank is communicated via a comprehensive reporting system to the EMB of SSBI and to the MLP of SSEHG KG as well as to other relevant committees and functions. The EMB and senior management including the Risk Management Committee of the Bank are informed about the risk situation on a monthly basis and the Risk Committee of the Supervisory Board on a quarterly basis. The information includes essential indicator amounts as well as the evaluation of the current risk situation. Apart from the reporting structure within the committees described in chapter 3.1, the risk situation is reported to the EMB of SSBI and to the MLP of SSEHG KG by a monthly report prepared as a part of the MIS of SSEHG Group and SSBI. The content of various risk reports as well as reporting frequency differs according to the information needs of different organization levels across the Bank and the Group.

3.4 Capital adequacy concept

The Group has implemented an internal process to ensure the bank's internal capital adequacy under to Section 25a KWG and MaRisk. As a part of this process, a regular identification and assessment of all significant risks is carried out. Combining these into an overall risk level is done conservatively, without any consideration of diversification effects between the individual types of risk.

In the normative perspective the Group assesses its ability to fulfil all its capital-related quantitative regulatory and supervisory capital requirements and demands, and to cope with other external financial constraints, in capital planning (baseline and adverse financial forecast) and in stress scenarios. The primary metrics considered for capital adequacy in the normative perspective are CET1 Ratio and Total Capital Ratio.

In the economic perspective the Group assesses its ability to ensure capital adequacy from a fair value point of view. Capital adequacy is assessed in capital planning (first year of baseline and adverse financial forecast) and in stress scenarios. Risk quantification is carried out via that estimate the economic capital need for all material risks the Group faces. Internal capital is calculated to reflect the net present value of assets and liabilities available. The Group approximates the net present value using CET1 capital as starting point. For material balance sheet positions the Group considers their fair value The result of the economic perspective is expressed in terms of ICAAP Utilization, the relation of total risks (economic capital need) to internal capital. The ICAAP approach of the Group includes an allocation of capital budgets for the risk types as they are monitored and reported in the economic perspective.

Based on the knowledge of its key vulnerabilities the Group creates stress test scenarios and evaluates them in both normative and economic perspective.

In the 2020 reporting period, the Group's and Bank's internal capital adequacy was ensured at all times.

3.5 Declaration on the adequacy of risk management arrangements (Art. 435 (1) e) CRR)

The Management Board confirms that the risk management systems of the Group and the Bank re adequate with regards to our risk profile and strategy.

3.6 Concise risk statement (Art. 435 (1) f) CRR)

General remarks

The Bank, being a custodian bank and financial service provider, offers a wide range of financial services to its institutional clients. The core business primarily consists of depositary bank services, custody-only business, including reporting services for asset managers and supporting activities for the middle and back office of investment management companies.

The EMB of SSBI is aware of the risks resulting from the business model of the Bank and of its potential impact on the realization of strategic goals, considering its responsibilities to stakeholders, including shareholders, clients, employees, supervisory authorities, the communities and markets in which it operates.

In support of that, the Bank has implemented a comprehensive risk management framework in alignment with the business strategy and resulting risk profile. This framework ensures that sustainable growth of the institution is balanced with an acceptable level of risk.

The risk appetite framework sets SSBI's risk management principles. Furthermore, it contains qualitative statements covering all material risk types and specific risk indicators including relevant thresholds corresponding to the Bank's risk tolerance.

The risk limits are monitored and controlled regularly. Additionally, these metrics are integrated in the management reporting and in the related escalation processes with corresponding management actions. The risk management systems in use are deemed as adequate and functional for the identified purpose.

Risk profile in the reporting period

In the course of the annual risk inventory process, the risk types listed in Section 3.2 were identified as material at the levels of the Bank and the Group.

The following table shows the economic capital need as well as the internal capital as of December 31, 2020, in the economic perspective of the ICAAP. For reporting purposes in the table, interest rate risk also includes investment portfolio mark-to-market risk. Non-Financial Risk aggregates Operational Risk, Technology and Resiliency Risk, and Core compliance risk. Business risk includes Strategic Risk and Model risk.

Table 8: Economic capital amounts and internal capital in the economic perspective for SSEHG Group and SSBI

	SSEHG Group	SSBI
Material risk types		
Interest Rate Risk	228,664	214,731
Credit Risk	403,184	409,875
Credit Spread Risk	361,909	361,909
Non-financial Risk	294,838	294,838
Business Risk	95,615	95,615
Economic Capital	1,384,210	1,376,968
Internal Capital	3,478,280	2,202,021
ICAAP Utilization	**39.8%**	**62.5%**

ICAAP Utilization (calculated as Economic Capital over Internal Capital) as of December 31, 2020 was at 39.8% at Group level and 62.5% at SSBI level.

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

The selection and appointment of the members of the management bodies of all SSEHG Group entities follows a predefined process.

A prerequisite for being considered as a suitable candidate is an impeccable reputation and verifiable successful internal track record within the State Street Group or with a comparable institution. This includes positive performance ratings, which reflects, among other things, the performance measured by a balanced set of objectives. The Supervisory Board assisted by the Nominations Committee of SSBI selects suitable candidates for SSBI's EMB and nominates candidates for SSBI GmbH's Supervisory Board.

The intention to appoint a member to the EMB of SSBI needs to be notified to the BaFin and Deutsche Bundesbank, which notify the ECB. To meet the statutory professional qualification and reliability requirements (according to Section 25c (1) Sent. 1 and 2 KWG) including related guidance by the European Supervisory Authorities European Securities ("ESMA") and Markets Authority and EBA as well as the BaFin, the EMB candidate must have adequate theoretical and practical knowledge relating to the undertaking's business, as well as managerial experience. The prudent and proper exercise of function requires managers to have adequate time to dedicate to their work (adequate time commitment). The same applies to executive directors of the financial holding companies in the SSEHG Group (Section 2d (1) KWG).

For this purpose, the competent authorities require the submission of a set of various verification documents. If necessary, the competent authority has the right to reject the candidate.

The annual evaluation by the Supervisory Board, supported by the Supervisory Board Nomination and Remuneration Committees, pursuant to Section 25d (11) Sent. 2, No. 3 and 4 KWG confirmed for the reporting year that SSBI's EMB is suitable in terms of structure, size, composition and performance. Moreover, the suitability with regard to knowledge, skill set and experience of each member and subsequently of the whole EMB was confirmed.

SSBI firmly believes that diversified teams make more balanced decisions and achieve better results. In this context, the Bank is committed to increasing diversity throughout the senior levels of the organization in a sustainable manner.

Inclusion and diversity are embedded in our values and culture. We are committed to developing an environment that offers equal opportunities to individuals with distinctive backgrounds and unique perspectives. Our inclusive and diverse culture defines who we are. There is belongingness in inclusion, there is growth in diversity, there is fairness in equity. We know an inclusive and equitable culture and a diverse workforce make us stronger and more successful. In a fast-paced and evolving world, we make it a priority to ensure that all our employees feel their identities and experiences are represented, embraced and celebrated. Fostering an environment that encourages the authenticity of our employees isn't just smart, it's essential. State Street's key goals to drive diversity are:

1. Focus on Inclusion – build an inclusive culture to drive a high performing organization and high performing teams where each individual achieves their full potential
2. Drive greater representation – Continue to drive greater representation of females and employees of color (specifically Black and Latinx employees) across our businesses and locations, leveraging white male allies as champions to drive change
3. Broaden the Diversity Agenda – start and continue conversations and efforts around race, ethnicity, sexual orientation, veteran status and disability to drive broader representation of diversity at all levels of leadership
4. Add an equity lens to all human capital processes – begin our equity journey by executing on the 10 commitments to address racism and inequality

To assist the diversity of our hiring process, our recruiting team has attended in-depth unconscious bias training to understand the role that implicit bias can play in hiring as well as learning about ways to mitigate that effect. In addition, we require a diverse slate of candidates for each open position at the managing director level and above. Internally, our Leadership Development Program (LDP) accelerates the development of high-potential, mid-career employees. This program provides targeted rotational assignments and professional development.

We support approximately 24 employee resource groups with more than 110 chapters globally, including the Black Professionals Group, the Professional Women's Network, the Disability Awareness Alliance, PRIDE our LGBTQ network, and many more. Our employees are offered global access to online webinar programs that focus on workplace diversity, as well as in-person diversity awareness trainings and workshops. We have also made Unconscious Bias a required training for all employees.

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 EMB have determined specific target values for the ratio of female employees in leading positions.

We have stabilized the progress we have made last year towards our diversity goals and are still surpassing the gender goal at the level of Assistant Vice Presidents as well as on Supervisory Board level. Concerning the EMB, corrective measures are initiated which will come into fruition in 2021. Despite our achievements, we acknowledge that continued effort is being required to achieve and maintain a sustainable level of female representation at all levels. We therefore understand this as a long-term commitment which starts at the top of the house and is extended subsequently to all organizational levels.

In 2019, our Diversity goals have been reviewed by the Supervisory Board and the EMB and our targets have been reconfirmed to ensure that this topic will be pursued with priority and vigor. The diversity goal will get revisited in 2021.

Table 9: Target values for the ratio of female employees in leadership positions as of December 31, 2020

Management level	Target value	Status
Supervisory Board	30%	33%
Executive Management Board	25%	14%
Vice President (and higher Corporate Title)	34%	33%
Assistant Vice President	40%	41%

In addition to our gender diversity focus and as per the ESMA/EBA Guidelines, the following diversity aspects are being considered additionally:

- Age: In line with the Guidelines, SSBI aims for a balanced age range within its members of the EMB and Supervisory Board to allow for a diverse exchange of thought and to reflect the diversity of SSBI's overall population which is represented by the various committees. The range of age varies between 37 and 64 with an average age of 53 within the EMB and an average age of 51 in the Supervisory Board.

- Geography: Due to the international nature of its business activities, SSBI aims for a geographically diverse setup of its bodies with various backgrounds and experiences being reflective of a range of different cultures. Within the EMB, overall six nationalities are comprising this board, while the Supervisory Board, consisting of 6 members, demonstrates its geographically diverse profile by members out of four different countries.

- Education and professional background: One of the objectives of the responsible bodies is to aim for a diverse professional board when selecting members of the EMB and Supervisory Board while also keeping in mind the statutory qualification requirements as further defined by ESMA/EBA and the BaFin which are referred to at the beginning of chapter 3.7.

The following tables provide an overview on the number of additional directorships held by the EMB and Supervisory Board members of SSBI according to Art. 435 (2) a) CRR[14] (including management or supervisory functions of SSBI).

Table 10: Number of management and directorships held by the EMB of SSBI according to Art. 435 (2) a) CRR

Executive Management Board	Number of the Directorships	Number of the Directorships after consideration of exemptions
Stefan Gmür (Speaker of the Board)	4	2
Fabienne Baker	2	1
Kimberly DeTrask (retired as of May 1, 2020)	2	1
Dennis Dollaku (joined October 1, 2020)	-	-
James K. Fagan (joined May 1, 2020)	1	1
Bernd Franke (retired as of March 1, 2020)	1	1
Michelle Grundmann (retired as of November 1, 2020)	1	1
Andreas Niklaus	1	1
Rajen Shah	1	1
Kris Wulteputte	1	1

Table 11: Number of management and directorships held by the Supervisory Board members of SSBI according to Art. 435 (2) a) CRR

Supervisory Board	Number of the Directorships	Number of the Directorships after consideration of exemptions
Jörg Ambrosius (Chair since February 2020)	3	2
Elizabeth Nolan (Vice-Chair since February 2020)	1	1
Ian William Appleyard	4	3
Marlena Ludian	1	1
Hartmut Popp	1	1
David Suetens	3	2

Changes within the EMB and Supervisory Board in 2020 have been outlined in tables 10 and 11 above.

[14] Table 10: during reporting period

4 Own funds and own funds requirements

4.1 Structure of own funds of SSEHG Group and SSBI (Art. 437 CRR)

Own funds structure of SSEG Group

Based on Table 49 (please refer to the annex of this document) the amount of own funds of the Group completely consist of Common Equity Tier 1 (“CET1”) items. The CET1 as well as the Total Capital Ratio of the Group amount to 38.4% as of December 31, 2020.

Tier 1 Capital

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 of the own funds amounts for SSEHG Group as of June 30, 2020 the CET1 capital has increased by EUR 286mn. This increase is substantially due to the decrease in the deduction item of intangible assets including goodwill. The decline is caused by the depreciation of these assets during the year and was only allowed to be taken into account during 2020 with the audited financial statements as of December 31, 2019.

Prudential deductions acc. to Art. 34 CRR (so called “prudential filters”) 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) 2016/101[15]. Deductions from CET1 capital, pursuant to Art. 36 (1) a) and b) 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, in 2020 SSBI has further increased the irrevocable payment commitment towards the deposit guarantee scheme (“Einlagensicherungsfonds”) of the Association of German Banks (“Bundesverband deutscher Banken”) by EUR 2mn to EUR 9.5mn (EUR 7.5mn in December 2019). This payment commitment needs to be deducted from CET1 capital of the Group according to ECB requirements in conjunction with EBA Guideline on payment commitments under Directive 2014/49/EU.

As part of the contribution to the Single Resolution Fund ("SRF") for 2020 SSBI contributes again from the annual fee a further part with the amount of EUR 4.2mn in the form of an irrevocable payment commitment to the Single Resolution Board ("SRB"). The entire payment obligation with the amount of EUR 7.4m (December 2020) is to be deducted from the Group's CET1 capital in accordance with 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.

Own funds structure of SSBI

As shown in Table 49 (please refer to the annex), CET1 capital mainly contributes to the total capital. Tier 2 capital components contributes only to a small extend. The CET1 ratio of SSBI as of reporting date amounts to 26.0% and the Total Capital Ratio to 27.2%.

Tier 1 Capital

CET1 capital of the Bank is composed of subscribed capital, other reserves as well as the funds for general banking risks in accordance with Section 340g HGB.

Since the last disclosure of SSBI’s own funds on June 30, 2020, the bank's Tier 1 capital has decreased insignificantly by kEUR 48. This is mainly due to the increase in intangible assets during the year, which are to be deducted from the CET 1 according to Art. 36 (1) b) CRR. All other prudential deductions (defined-benefit pension fund assets, irrevocable payment commitments) have the same amounts like on Group.

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

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

Capital instruments both at SSEHG Group and SSBI level fulfil the conditions described in Art. 28 CRR in respect to the eligibility of CET1 capital instrument.

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 charged with an interest rate of 7.75% p.a. initially granted by State Street Bank Luxembourg S.A. In the course of the change of the Group structure in 2015, the sub-ordinated loan has been transferred to State Street Europe Holdings Luxembourg S.à r.l ("SSEHL"). In the course of the liquidation of SSEHL in December 2018, the aforementioned subordinated loan in the amount of EUR 100mn was transferred from SSEHL to SSEHG KG. With the exception of the changed lender, no further contractual changes were made. The contractual term of the sub-ordinated loan ends on April 25, 2038. The conditions regarding the eligibility as Tier 2 capital instrument according to Art. 63 CRR are fulfilled at SSBI level.

This capital instrument (subordinated loan) continues to comply with all relevant provisions in Part 2 Title I Chapter 4 CRR on Tier 2 capital.

Table 49 (please refer to the annex) presents the own funds of the Group and Bank according to Part 2, Title I to III CRR as of December 31, 2020. Please note that due to the supervisory submission deadline in February of the following year the total capital before ratification of the financial statements has to be merely reported on both Group and Bank level.

The main features of all capital instruments of SSEHG Group and SSBI are shown in Table 50 (please refer to the annex[16]). The terms and conditions of the subordinated loan issue by SSBI according to Art. 437 (1) c) CRR are provided in Table 51 (please refer to the annex). Please note, that the information on the terms of the subordinated loan[17] are excerpts from the loan agreement which has been originated in English language.

[16] Items, which are not applicable for disclosure purposes are marked with "N/A" in accordance with Annex II of the Commission Implementing Regulation (EU) No 1423/2013 with regard to disclosure of own funds requirements for institutions

[17] Information according to Art. 437 (1) b) CRR in conjunction with Commission Implementing Regulation (EU) No 1423/2013

The following tables show the complete reconciliation of balance sheet positions of the audited financial statements as of December 31, 2020 to the own funds elements at the level of the SSEHG Group and SSBI:

Table 12: Reconciliation of audited financial statement to own funds of SSEHG Group according to Art. 437 (1) a) CRR

Consolidated balance sheet according to HGB				Own funds			References	
	Balance sheet item	Book value	Recon-ciliation	CET1	AT1	T2	Table 46	Foot-note
Assets								
11.	Intangible assets							1
b)	Purchased concessions, industrial property rights and similar rights and assets as well as licenses relating to such rights and assets	1,181,630		-1,181,630	-	-	8	
c)	Goodwill	36,350		-36,350	-	-	8	
17.	Excess of plan assets over pension liabilities	16		-16	-	-	15	2
Liabilities								
6a.	Deferred tax liabilities	34,483	2,176	36,659	-	-	8	3
10.	Fund for general banking risks	82,000		82,000	-	-	3a	
11.	Equity							
II. a)	Capital account I	1,000		1,000	-	-	1	
II. b)	Capital account II	5,330,343		5,330,343	-	-	3	
II. c)	Allocation account	1,106,434		1,106,434			25a	4
IV.	Difference from lower consolidated income compared to the parent company	-1,709,274		-1,709,274	-	-	25a	
Subtotal				3,629,166	-	-	29, 44, 58	
	Other regulatory adjustments			-16,852			27a	
	Value adjustments at fair value			-3			7	5
Total capital (TC=CET1+T2)				3,612,311			59	

Table 13: Reconciliation of audited financial statement to own funds of SSBI according to Art. 437 (1) a) CRR

Balance sheet according to HGB				Own funds			References	
	Balance sheet item	Book value	Recon-ciliation	CET1	AT1	T2	Table 46	Foot-note
Assets								
11.	Intangible assets							1
b)	Purchased concessions, industrial property rights and similar rights and assets as well as licenses relating to such rights and assets	22,431		-22,431			8	
c)	Goodwill	5,066		-5,066	-	-	8	
17.	Excess of plan assets over pension liabilities	16		-16	-	-	15	2
Liabilities								
8.	Subordinated liabilities	107,879	-7,879	-	-	100,000	46	7
10.	Fund for general banking risk	82,000		82,000	-	-	3a	
11.	Equity				-	-		
a)	Subscribed capital	109,368	-101	109,267	-	-	1	8
b)	Capital reserve	2,051,399	-534	2,050,865	-	-	3	8
c)cd)	Other retained earnings			4,256	-	-	3	
d)	Distributable profit	462,000	-462,000	0	-	-	-	8
Subtotal				2,218,876	-	100,000	29, 44, 58	
	Other regulatory adjustments			-16,852			27a	5
	Value adjustments at fair value			-3			7	6
Total capital (TC=CET1+T2)				2,302,021			59	

In what follows, the individual elements of the reconciliation are explained in detail (marked with footnotes 1 to 8 in tables 12 and 13):

(1) Intangible assets have to be deducted from CET1 acc. to Art. 36 (1) (b) CRR i.c.w Art. 37 CRR
(2) The excess of plan assets over pension liabilities on the balance sheet has to be deducted from CET1 acc. to Art. 36 (1) (e) CRR i.c.w. Art. 41 CRR
(3) Deferred tax liabilities which are to be added to the own funds acc. to Art. 37 (a) CRR are formed solely on Group level in accordance with Sections 274, 306 HGB. The option to recognize deferred taxes in the consolidated financial statement, which aren't shown on the individual financial statement is not used. The deferred tax liabilities consist of EUR 36.7 mn for other intangible assets.
(4) The sum of the allocation account and the difference in the Group result in comparison to the parent company leads to the loss carried forward year which is shown in the own funds as deduction item
(5) Other regulatory adjustments consist completely of irrevocable payment commitments towards the deposit guarantee scheme and the SRB (for bank levy purposes)
(6) This position contains the additional value adjustments for all assets measured at fair value acc. to Art. 35 and Art. 105 CRR i.c.w. the Delegated Regulation (EU) No. 2016/101[18] which have to be deducted from CET1
(7) The own funds eligible instruments of the subordinated liabilities are shown in the balance sheet as the nominal amount plus accrued interests. The requirements acc. to Art. 63 CRR are met for this subordinated loan
(8) In connection with the mergers between SSB S.A. and SSBL in 2019, the subscribed capital of SSBI increased by kEUR 101 and the capital reserve by EUR 462,5mn. The capital reserve was released in 2019 in the amount of EUR 462mn for a planned distribution. Since this distribution was not carried out due to economic uncertainties in the context of the corona pandemic, the amount is reported as distributable profit. For this increase, which took place in 2019, no application for recognition as CET1 has been requested from the ECB due to the aforementioned distribution plans.

[18] Commission Delegated Regulation supplementing the CRR with regard to regulatory technical standards for prudent valuation under Art. 105(14) CRR

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

With the amendment of the CRR, the Total Loss-absorbing Capacity ("TLAC" or "TLAC standard") has been implemented in Union law (EU-TLAC standard) and became effective as of June 27, 2019. The standard applies to resolution entities which are either themselves global systematically important institutions ("G-SIIs") or are part of a group identified as a G-SII.

After a three-years transition period the TLAC ratio should be at least 18% of the Total Risk Exposure Amount ("TREA") and 6,75% of the Leverage Ratio Exposure Measure ("LREM") (pursuant to Art. 92a CRR). These requirements are also applicable for material subsidiaries of non-EU G-SIIs which have to comply with at least 90% of the mentioned TLAC ratios (so-called internal TLAC requirements) according to Art. 92b CRR. 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. 447 (h) CRR 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 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 the Total Risk Exposure Amount ("TREA") and a non-risk based TLAC ratio calculated as 90% of 6% of the 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 has to be adhered to[19].

Based on the TLAC ratios as of December 31, 2020 for SSEHG Group with 38.4% (TREA) and 6.7% (LREM) respectively, the minimum internal TLAC requirements are fulfilled. The following table gives an overview on the disclosed TLAC ratios.

Table 14: Key parameters according to Art. 433a (3) CRR i.c.w. Art. 447 (h) CRR for SSEHG Group

	12/31/2020	9/30/2020	6/30/2020	3/31/2020
Regulatory capital components for TLAC				
Own funds and eligible liabilities	3,232,872	3,234,438	2,946,725	2,950,148
thereof: Own funds (only Common Equity Tier 1)	3,232,872	3,234,438	2,946,725	2,950,148
thereof: Eligible liabilities	-	-	-	-
Risk measures for TLAC				
RWA (TREA)	8,411,751	8,115,437	8,249,245	8,939,796
Leverage ratio exposure measure (LREM)	48,041,624	46,791,677	48,924,361	49,019,805
TLAC ratios				
TLAC ratio (in % of TREA)	38.4	39.9	35.7	33.00
TLAC ratio (in % of LREM)	6.7	6.9	6.0	6.0

4.3 Own funds requirements for SSEHG Group and SSBI (Art. 438 CRR)

For the determination of the regulatory capital requirements at both SSEHG Group and SSBI level, the Bank applies the respective standardised approaches according to CRR since January 1, 2008, i.e. the CRSA, the standardised approach for Market Price and Settlement Risks, the standardised approach for operational risks as well as the standardised approach for credit valuation adjustment risk ("CVA Risk").

[19] 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 presents the Group's and the Bank's risk weighted assets ("RWA") as well as the own funds requirements for all the risk types mentioned above as of December 31, 2020. Own funds requirements for credit risks are broken down by exposure classes in accordance with Art. 112 CRR:

Table 15: RWA and 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

	SSEHG Group		SSBI	
Exposure Class/Risk exposure	RWA	Own funds requirements	RWA	Own funds requirements
Central governments or central banks	26,871	2,150	26,871	2,150
Regional governments or local authorities	0	0	0	0
Public sector entities	0	0	0	0
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	661,118	52,889	660,863	52,869
Corporates	4,165,934	333,275	4,165,924	333,274
Retail exposures	-	-	-	-
Exposures secured by mortgages on immovable property	-	-	-	-
Exposures in default	20,669	1,654	20,669	1,654
Exposures associated with particularly high risk	-	-	-	-
Covered bonds[20]	23,608	1,889	23,614	1,889
Institutions/corporates with a short-term credit assessment	-	-	-	-
Collective Investment Undertakings (CIUs)	3,465	277	3,465	277
Equity exposures	26,182	2,095	26,182	2,095
Other items	449,085	35,927	408,029	32,642
Securitisations[20]	470,291	37,623	470,118	37,609
Default fund contribution of a Central Counterparty ("CCP")	-	-	-	-
Credit risks (total)	5,847,224	467,778	5,805,735	464,459
Market risk	88	7	88	7
Settlement risk	-	-	-	-
Operational risk	2,523,599	201,888	2,510,652	200,852
Credit valuation adjustment risk (CVA risk)	40,840	3,267	40,840	3,267
Amounts related to Large Exposures in the trading book	-	-	-	-
Other risk exposure amounts	-	-	-	-
Total	8,411,751	672,940	8,357,315	668,585

[20] Due to the different acquisition dates of the securities at the consolidated and standalone level, own funds requirements for the underlying security positions under the standardized approach differ slightly from between SSEHG Group and SSBI

4.4 SREP minimum capital requirements and buffers

According to Art. 92(1) CRR the Group and the Bank satisfy at all time the following minimum capital requirements (Pillar 1):

a) Common Equity Tier 1 ("CET 1") capital Ratio of 4.5%
b) Tier 1 ("AT1") capital ratio of 6.0%
c) Total capital ratio ("TCR") of 8.0%

Moreover, pursuant to the annual Pillar 2 Supervisory Review and Evaluation Process ("SREP"), the ECB sets capital requirements (so-called "Pillar 2 Requirement", "P2R") both for SSBI (individual basis) and SSEHG Group (consolidated basis) in the amount of 2.0%[21], of which 1.13% is to be held in the form of CET1 capital (56.25%), and 1.5% as Tier 1 capital (75%).

As of December 31, 2020, the CET1 overall capital requirement for SSEHG Group, as well as the SSBI, is 8.18%, consequently Tier 1 capital is 10.05% and the Total capital requirement is 12.55%.

These ratios are made up of the Pillar 1 minimum capital requirements (CET1 4.5%, AT1 6% and TCR 8%), the P2R of 2% (thereof 56.25% to be held with CET and 75% with Tier1), the capital conservation buffer of 2.5% and the institution-specific countercyclical capital buffer ("CCyB")[22] of 0.05% (for more information please refer to the chapter 4.5).

The following table provides an overview of the Pillar 1 and Pillar 2 requirements (excluding "Pillar 2" guidance which does not have to be published) as well as additional capital buffer requirements applicable to the Group and the Bank:

Table 16: Capital requirements and buffers as of 12/31/2020

	SSEHG Group	SSBI
Pillar 2 requirements (Minimum capital ratios pursuant to Art. 92(1) CRR) (in %)		
Common Equity Tier 1 capital ratio (CET1)	4.50	4.50
Additional Tier 1 capital (AT1)	1.50	1.50
Tier 1 capital ratio (Tier 1 = CET1 + AT1)	6.00	6.00
Tier 2 capital (Tier2)	2.00	2.00
Total capital ratio (TCR = Tier 1 + Tier2) / Required minimum level of own funds	8.00	8.00
Pillar 2 Requirement according to SREP (in %)		
Pillar 2 Requirement (P2R)	2.00	2.00
thereof P2R to be held in form of CET 1	*1.13*	*1.13*
thereof P2R to be held in form of Tier 1	*1.50*	*1.50*
Total SREP Capital Requirement (TSCR) – min. CET1	5.63	5.63
TSCR - min. Tier 1	7.50	7.50
TSCR - min. Own funds	10.00	10.00
Combined capital buffer requirement (in %)		
Capital conservation buffer (CCB)	2.50	2.50
Institution-specific countercyclical capital buffer (CCyB)	0.05	0.05
Systemic risk buffer, G-SII buffer, O-SII buffer	0.00	0.00
Combined buffer requirement (Section 10i KWG)	2.55	2.55
Overall Capital Requirement (OCR) (in %)		
OCR - min. CET1	8.18	8.18
OCR - min. Tier 1	10.05	10.05
OCR - min. Own funds	12.55	12.55

[21] Pillar 2 Requirement of 2 % is unchanged for the SSEHG Group and SSBI compared to previous year (2019).
[22] The CCyB is subject to changes based both on the CCyB rates that changes regularly as well as the institution-specific composition of the country-specific exposures.

4.5 Countercyclical capital buffer (Art. 440 CRR)

In the specific case of the countercyclical capital buffer according to Art. 130, 135 to 140 CRD IV as well as Section 10d KWG and 64r KWG, the intention is to counteract the risk of excessive credit growth in the banking sector. to prevent a disproportional credit growth in comparison to economic growth. The idea behind the countercyclical capital buffer is that in times of excessive credit growth, banks are required to build up an additional capital buffer. This buffer generally increases the loss-absorbing capacity of banks. The buffer is explicitly used up in times of crisis and used to mitigate losses. As a result, it should be possible to avoid the creation of a credit crunch.

The implementation of the countercyclical capital buffer takes place in four steps with the first one having started in 2016. When all steps are fully implemented in 2019 the buffer is limited to a ratio of up to 2.5% according to Art. 136 (4) CRD IV, Section 10 (3) KWG. For the calculation of the individual (institution-specific) countercyclical capital buffer, indicators such as the relation between granted loans and gross domestic product (“GDP”), the credit risk situation according to Section 36 German Solvency Regulation (“Solvabilitätsverordnung”,”SolvV”) and the country specific ratios will be used. Based on the current data BaFin left the country specific ratio for Germany at 0% in 2020 unchanged to 2019.

For materiality purposes only countries which have an countercyclical capital buffer higher than 0% or own funds requirements weights higher than 1% are shown in the table below (in alphabetical order). Overall, about 95% of the own funds requirements split by country are shown in the following table.

Table 17: Geographical distribution of exposures relevant for the calculation of countercyclical capital buffer of SSEHG Group according to Art. 440 CRR

	General Credit exposures	Securitisation exposures	Own funds requirements			Own funds requirements weights in %	Counter-cyclical capital buffer rate in %
	Exposure value for SA	Exposure value for SA	of which: General credit exposures	of which: Securitisation exposures	Total		
Federal Republic of Germany	846,267	61,640	67,701	798	68,499	16.50	0.00
French Republic	419,289	326,830	24,726	3,947	28,673	6.91	0.00
Grand Duchy of Luxembourg	883,501	277,798	70,680	2,923	73,603	17.73	0.25
Great Britain and Northern Ireland	467,596	11,767	36,974	188	37,162	8.95	0.00
Guernsey	172,116	-	13,769	-	13,769	3.32	0.00
Ireland	43,847	556,455	3,508	8,774	12,282	2.96	0.00
Italian Republic	59,170	290,233	4,734	10,247	14,980	3.61	0.00
Kingdom of Netherlands	317,923	626,854	25,434	8,007	33,441	8.06	0.00
Kingdom of Norway	33,000	-	2,640	-	2,640	0.64	1.00
Kingdom of Spain	212,741	67,578	5,526	1,543	7,069	1.70	0.00
United States of America	1,691,265	48,497	101,921	776	102,696	24.74	0.00
Other countries	510,409	26,258	19,840	420	20,260	4.88	-
Total	**5,657,125**	**2,293,911**	**377,452**	**37,623**	**415,076**	**100.00**	-

Table 18: Amount of institution-specific countercyclical capital buffer of SSEHG Group according to Art. 440 CRR

Amount of institution-specific countercyclical capital buffer		
010	Total risk exposure amount	8,411,751
020	Institution specific countercyclical capital buffer rate in %	0.05
030	Institution specific countercyclical capital buffer requirement	4,264

Table 19: Geographical distribution of exposures relevant for the calculation of countercyclical capital buffer of SSBI according to Art. 440 CRR

	General Credit exposures	Securitisation exposures	Own funds requirements			Own funds requirements weights in %	Counter-cyclical capital buffer rate in %
	Exposure value for SA	Exposure value for SA	of which: General credit exposures	of which: Securitisation exposures	Total		
Federal Republic of Germany	851,312	61,640	68,105	798	68,903	16.73	0.00
French Republic	419,322	326,830	24,726	3,947	28,673	6.96	0.00
Grand Duchy of Luxembourg	883,501	277,798	70,680	2,923	73,603	17.87	0.25
Great Britain and Northern Ireland	467,596	11,767	36,974	188	37,162	9.02	0.00
Guernsey	172,116	-	13,769	-	13,769	3.34	0.00
Ireland	43,847	556,455	3,508	8,774	12,282	2.98	0.00
Italian Republic	59,161	289,878	4,733	10,233	14,966	3.63	0.00
Kingdom of Netherlands	317,923	626,854	25,434	8,007	33,441	8.12	0.00
Kingdom of Norway	33,000	-	2,640	-	2,640	0.64	1.00
Kingdom of Spain	212,741	67,578	5,526	1,543	7,069	1.72	0.00
United States of America	1,691,265	48,497	101,921	776	102,696	24.94	0.00
Other countries	464,328	26,258	16,152	420	16,572	4.05	-
Total	**5,616,111**	**2,293,556**	**374,167**	**37,609**	**411,777**	**100.00**	**-**

Table 20: Amount of institution-specific countercyclical capital buffer of SSBI according to Art. 440 CRR

	Amount of institution-specific countercyclical capital buffer	
010	Total risk exposure amount	8,357,315
020	Institution specific countercyclical capital buffer rate in %	0.05
030	Institution specific countercyclical capital buffer requirement	4,270

5 Information on credit risks

5.1 Credit risk adjustments (Art. 442 CRR)

Definitions (Art.442 a) CRR)

The Bank and the Group use the following definitions for credit and dilution risk regarding credit risk adjustment and for the associated supervisory reporting and disclosure. These are applicable both for accounting purposes and for risk management purposes (if applicable):

"Aged" or "past-due"

A credit o obligation is considered "aged" if outstanding contractual amounts regarding interest and principal have not yet been settled by the debtor according to the contractual agreed due dates. It is considered "past-due" if the credit obligations against a debtor is aged more than 90 days in a row but not yet categorized as "impaired". With effect from 31 December 2020, the assessment of the significance of overdue liabilities is subject to the Regulation (EU) 2018/1845[23], where Art. 3 defines a threshold of EUR 500 for risk positions other than retail business and 1% with regard to the amount of overdue liabilities in relation to the total value of all balance sheet risk positions. The new provisions were implemented accordingly in the internal limit, risk monitoring and reporting processes.

Impaired ("non-performing exposure")

A loan is considered as "impaired" if it is expected that a debtor is permanently not able to fulfill its credit obligations according to the contractual agreement without using the collateral (unlikely repayment regardless of the existence of any past-due amount or the number of days past-due) or if the substantial credit obligation is past-due more than 90 days ("Default"). This may be the case, if the debtor is either unwilling or unable to settle the agreed payments or fulfill the credit agreements. This may be related to any or all debt obligations of a respective credit agreement and counterparty.

Default

With regard to Art. 178 CRR, a "default" is considered to have occurred with regard to a particular obligor and his associated credit obligations when either or both of the following events have taken place:

- The obligor is considered, by the creditor, unlikely to pay its credit obligations in full to the SSBI or any other company belonging to the SSEHG Group to which the creditor belongs without recourse by the creditor to actions such as realizing security (if held)
- The obligor is past due more than 90 consecutive calendar days on any material part of its overall credit obligation to the SSBI or to another company belonging to the SSEHG Group

As part of the early warning process for risks implemented by the Bank, lending commitments are reviewed for any increase in risk content using pre-defined indicators. Depending on the results, these are assigned in a suitable form of care – intensive care, restructuring or liquidation.

If they are assigned to restructuring or liquidation with an associated loss in value of the receivable, an individual risk provision will be calculated. In case of an impairment the receivable is written off considering the recovery rate and the individual provision which has already been made.

As of December 31, 2020, none of the Bank's lending commitments were assigned to intensive care, restructuring or liquidation.

[23] Regulation of the ECB of 21 November 2018 on the exercise of the discretion under Article 178(2)(d) CRR in relation to the threshold for assessing the materiality of credit obligations past due (ECB/2018/26)

Amount and structure of credit risks (Art. 442 b) - f) CRR)

With regards to the disclosure of SSEHG Group's and SSBI amounts and structure of credit risks the following tables (all as of December 31, 2020) are included in the appendix for reasons of clarity and better readability:

- Table 42 - Shows the total amount of exposures after accounting offsets (without taking into account the effects of credit risk mitigation) and the average amount of the exposures over the period broken down by different types of exposure classes under the CRSA at SSEHG Group and SSBI level as of December 31, 2020. The net credit exposure after value adjustments is used in all of the tables in this chapter.
- Table and Table 44 - Present the geographical distribution of risk exposures broken down by key geographical regions and CRSA exposure classes (of SSEHG Group and SSBI as of 31 December 2020 in accordance with Art. 442 d) CRR.
- Table 45 and Table 46 - Show the distribution of risk positions by economic sectors/industries according to the CRSA exposure classes of the SSEHG Group and SSBI in accordance with Art. 442 e). CRR
- Table 47 and Table 48 - Show the distribution of risk positions by residual maturity and CRSA exposure classes both for SSEHG Group and SSBI in accordance with Art. 442 f) CRR.

Exposures to small and medium sized enterprises ("SME") have not existed during the reporting period. The exposure in other industry sectors mainly consists from captive financial institutions and money lenders, financial auxiliaries and insurance corporations.

Credit risk adjustments (Art. 442 g) - h) CRR)

The following table shows the credit risk adjustments and provisions for credit risks as of December 31, 2020, broken down by economic sector and geographical regions. The amount of credit risk adjustments is identical on Group and Bank level.

Table 21: Credit risk adjustments by economic sector according to Art. 442 g) und h) CRR

Economic sector		Specific credit risk adjustments		Charges		
	Non-performing exposures	SLLP and individual provisions	GLLP and general provisions	SLLP and individual provisions	GLLP and general provisions	Past due exposure
Captive financial institutions and money lenders	-	-	-	-	-2,486	-
Financial auxiliaries	124	124	-	69	-	112
Non-financial corporations	41,734	4,576	40,271	4,576	18,031	-
Other financial intermediaries except insurance corporations and pension funds	-	-	10,309	-	6,590	-
Total	**41,858**	**4,700**	**51,140**	**4,645**	**22,135**	**112**

Table 22: Credit risk adjustments by geographical regions according to Art. 442 g) und h) CRR

Geographical regions		Specific credit risk adjustments		Charges		
	Non-performing exposures	SLLP and individual provisions	GLLP and general provisions	SLLP and individual provisions	GLLP and general provisions	Past due exposure
Europe	13,857	3,065	26,982	3,010	5,912	112
North America	28,001	1,634	24,158	1,635	16,223	-
Total	**41,858**	**4,700**	**47,516**	**4,645**	**22,135**	**112**

Development of loan loss provisions (Art 442 i) CRR)

The development of loan loss provisions in the 2020 financial year at consolidated and single-entity level is shown in the following table. The credit risk adjustments are identical at the level of the SSEHG Group and at the level of SSBI.

Table 23: Development of credit risk adjustments at SSEHG Group and SSBI according to Art. 442 i) CRR

	Opening Balance	Allocation	Withdrawal	Usage	Closing Balance
Specific loan loss provisions (on-balance)	55	4,645	-	-	4,700
General loan loss provisions (on-balance)	26,956	34,634	-9,497	-4,577	47,517
Specific provisions (off-balance)	-	-	-	-	-
General provisions (off-balance)	2,048	1,575	-	-	3,623

The general loan loss provisions ("GLLP") allocated in 2020 relate to the Leveraged Loan portfolio (kEUR 47,494) and the European Fund Finance portfolio (kEUR 22). In addition, general provisions for impending losses for pending transactions in connection with the Leveraged Loans portfolio were formed with the amount of kEUR 3,157 and provisions for off-balance sheet credit exposure (European Fund Finance) with the amount of kEUR 466. The specific loan loss provisions ("SLLP") as of year-end 2020 refer to the Leveraged Loan portfolio (kEUR 4,576) and to defaulted receivables from invoices issued to customers (kEUR 124) out of SSBI's service business.

SLLP, GLLP and provisions are considered as specific credit risk adjustments ("SCRA") as defined in Delegated Regulation (EU) No 183/2014 establishing the calculation of specific and general credit risk adjustments. As of December 31, 2020, there are no general credit risk adjustments with regard to the aforementioned Delegated Regulation. The amounts of the SCRA and their inclusion at the level of the Group or the Bank, in particular for the purposes of Art. 111 CRR for the determination of the exposure value, shall also be determined in accordance with the requirements of this Regulation.

5.2 Disclosure of non-performing and forborne exposures

On December 17, 2018 the EBA published its final guidelines (EBA/GL/2018/10) on disclosure of non-performing[24] and forborne exposures[25] ("EBA guideline"). The aim of this guideline is to harmonize the disclosure requirements on the basis of the underlying reporting requirements (FINREP).

As the SSEHG Group meets the requirements of Art. 6 CRR and as the consolidated total assets exceed the threshold of EUR 30 billion, the SSEHG Group is subject to the general disclosure requirement of the aforementioned guideline.

Table 24: Development of non-performing loans and exposures SSEHG Group and SSBI

	SSEHG Group		SSBI	
NPL-/NPE Evolution (Year-over year)	12/31/2019	12/31/2020	12/31/2019	12/31/2020
Gross carrying amount of loans, advances, debt securities and off-balance sheet exposures	24,529,919	26,809,805	24,527,300	26,809,530
Gross carrying amount/Nominal amount of loans and advances	12,161,175	6,819,597	12,164,381	6,819,625
Sum of non-performing exposures	77	41,858	77	41,858
NPE-Ratio	**<0.01%**	**0.2%**	**<0.01%**	**0.2%**
Sum of non-performing loans	77	41,858	77	41,858
NPL-Ratio	**<0,01%**	**0.6%**	**<0.01%**	**0.6%**

The gross NPE ratio as of December 31, 2020 was 0.2% both on Group and Bank level and is the ratio of all relevant assets to be considered according to the broader NPE definition (including debt securities and off-balance sheet exposures).

The gross NPL ratio as of December 31 2020, each of which amounted to 0.6%, and is calculated as the ratio of the gross carrying amount of non-performing loans and advances to the total gross carrying amount of loans and advances (without debt securities and off-balance sheet exposures). For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits are to be excluded both from the denominator and from the numerator.

As the gross NPL ratio is below the 5% threshold according to the EBA guideline (Section 15a)[26], the following disclosure tables (templates 1, 3, 4 and 9) have to be published on an annual basis at SSEHG Group level.

The disclosure template 1 ("Credit quality of forborne exposures") and template 9 ("Collateral obtained by taking possession and execution processes") is not disclosed as of December 31, 2020, as there were no FBE nor collateral obtained for NPE neither at Group nor Bank level.

The information to the disclosure template 3 ("Credit quality of non-performing exposures by past due days") and template 4 ("Performing and non-performing exposures and related provisions") for SSEHG Group can be found in Table 52 and 53 in the Annex.

[24] So-called non-performing exposures (NPE) or non-performing loans (NPL)
[25] So-called forborne exposure (FBE)
[26] Disclosure is based on the breakdown of counterparties in accordance with FINREP

5.3 Use of External Credit Rating Assessments (Art. 444 CRR)

To determine the own funds requirements for purposes of credit risk quantification under the CRSA (Pillar 1), the following rating agencies have been nominated:

Table 25: Rating agencies broken down by exposure classes according to Art. 444 a) and b) CRR

Market segment	Rating agency	Exposure Class
Governments	• The McGraw-Hill Companies under the brand name "Standard & Poor's Ratings Services" ("S&P")	Central governments or central banks
Structured finance	• The McGraw-Hill Companies under the brand name "Standard & Poor's Ratings Services" ("S&P") • Fitch Ratings • Moody's Investors Service	Securitizations

5.4 Credit risk mitigation techniques (Art. 453 CRR)

Based on the business model and the resulting asset policy, the risk positions of the Group and the Bank are essentially limited to client overdrafts of not externally communicated and internally set credit exposure limits resulting from the custody business, the Bank's investment portfolio in securities, the Leveraged Loan and European Fund Finance portfolio as well as unsecured and secured money market transactions (repurchase agreements). Additionally, the Group and the Bank are exposed to Credit risks resulting from foreign exchange transactions.

Credit risk mitigation techniques ("CRMT") are used in relation to both repurchase agreements and derivatives clearing transactions.

In this context, received or pledged securities, such as equities, government and corporate bonds, securitisations, and cash deposits serve as collateral. The Group and the Bank apply the Financial Collateral Comprehensive Method according to Art. 223 ff. CRR and for guarantees the substitution method respectively. From a regulatory point of view, only financial collaterals that are listed in Art. 197 and Art. 198 CRR are considered in the process. These financial collaterals are measured at their market value minus regulatory haircuts (maturity mismatch adjustment, market value volatility adjustment, currency volatility adjustment). In the course of the economic risk perspective, as part of the quantification of the ICAAP, collaterals are also considered after taking the respective regulatory haircut into account.

The legal basis for these transactions is standardised contracts. Netting agreements are considered an important factor for credit risk mitigation and therefore receives special attention as part of such contracts.

(Master) netting agreements according to Art. 295 b) CRR are currently in place for repurchase agreements as of December 31, 2020 the Bank made use of netting agreements within repurchase agreements. Due to an overcollateralization, netting agreements had no impact on the exposures resulting from reverse repurchase agreements.

SSBI has implemented procedures regarding the assurance of legal effectiveness and enforceability of the contracts and maintains documentation as required by Art. 297 CRR. Hence, it takes the respective netting agreements into account when measuring the counterparty credit risk exposure. For further Information regarding counterparty credit risk, please refer to chapter 5.5. The underlying strategy and associated processes with respect to the collateralization of relevant transactions are documented in the trading policies and the corresponding organizational guidelines.

The purchased securities are at least evaluated once a day, but dependent on the product category several times a day. The valuation is based on current market values obtained from an external, independent pricing source. This is the responsibility of the Risk Management department. Risk concentrations related to credit and market price risks of collaterals are limited by internal restrictions considering issuer, region, class of investment and rating class. Compliance with these limits is monitored on a daily basis.

Regular stress tests are carried out related to the market value of eligible collateral. Further an assessment of the maturity of the repurchase transaction and the maturity of the financial collateral used for credit risk mitigation is performed.

Risk positions related to repurchase agreements and derivatives transactions as well as the development of respective collaterals are reported on a regular basis to the EMB. All the related internal controls and procedures are reviewed on an ad-hoc basis but at least on an annual basis.

Quantitative disclosure regarding CRMT

The following tables show the details regarding CRMT and netting effect as of December 31, 2020.

Table 26: Total amount of exposures of SSEHG Group and SSBI before and after credit risk mitigation according to Art. 444 e) CRR

Risk weight	Total of CRSA position values before and after CRMT			
	before CRMT		after CRMT	
	SSEHG Group	SSBI	SSEHG Group	SSBI
≤20%	42,101,745	42,100,520	34,341,947	34,340,722
>20% ≤ 50%	356,235	355,879	356,235	355,879
>50% ≤ 100%	8,702,704	8,661,638	7,949,979	7,908,913
150%	13,734	13,734	13,734	13,734
250%	10,470	10,470	10,470	10,470
Total	**51,184,888**	**51,142,241**	**42,672,365**	**42,629,718**

Table 27: Total amount of collateralized exposures of SSEHG Group and SSBI according to Art. 453 f) and g) CRR

Exposure Class	Collateral	Exposure value covered by eligible collateral	
		SSEHG Group	SSBI
Institutions	Eligible financial collateral	8,508,866	8,508,866
	Guarantees	10,104	10,104
	Credit derivatives	-	-
Corporates	Eligible financial collateral	3,657	3,657
	Guarantees	749,068	749,068
	Credit derivatives	-	-
Total		**9,271,695**	**9,271,695**

Credit derivatives are neither accepted by the SSEHG Group nor by the Bank for credit risk mitigation purposes. The exposure values shown under “guarantees“ refer to securities that are explicitly guaranteed by central governments.

5.5 Counterparty credit risk (Art. 439 CRR)

The following section contains the qualitative information on counterparty credit risk according to Art. 439 a)-d) CRR and the quantitative information according to Art. 439 e) and f) CRR.

Quantitative and qualitative information (Art. 439 a) to b) CRR)

The relevant information on counterparty credit risk exposures in accordance with Art. 439 a) CRR are included in the information on credit risk. For the information to be disclosed, we therefore refer to the above explanations on credit risk in chapter 3.2.1.

Regarding the discussion of policies for securing collateral and establishing credit reserves (Art. 439 b) CRR) we refer to the notes to the financial statement ("Accounting and valuation methods", chapter B)27 of the consolidated financial statement 2020 of SSEHG Group published in the Federal Gazette as well as to the general description for credit risk (chapter 3.2.1), credit risk mitigation techniques (chapter 5.4), credit risk adjustments (chapter 5.1) and the additional quantitative information given in this chapter. There was no provision for counterparty credit risk as of December 31, 2020.

Wrong-way risk exposure (Art. 439 c) CRR

Wrong-way risk occurs when the probability of default and EaD for a counterparty or counterparty group is positively correlated. There are two types of wrong-way risk (specific and general). Specific wrong-way risk arises through poorly structured transactions, for example, those collateralized by own or related party shares. General wrong-way risk arises where the credit quality of the counterparty may for non-specific reasons be held to be correlated with a macroeconomic factor which also affects the value of derivatives transactions.

General policies and the handling of positions subject to wrong-way risk (Art. 439 c) CRR) are part of the Credit Risk Guidelines and the corresponding risk management within the Bank and the Group. Therefore, we refer to the general description in chapter 3.2.1 regarding credit risk and the therein described methods and processes.

Funding obligations (Art. 439 d) CRR

During the reporting period no contracts existed that would have required a Group entity to provide collateral in case of a downgrade of its rating.

Positive fair value (Art. 439 e) CRR)

The following table shows the positive credit exposure, defined as the gross positive fair-value of all derivative business before add-on, including netting and collateral.

Table 28: Positive credit exposure of SSEHG Group and SSBI acc. to Art. 439 e) CRR

Gross positive fair value of contracts	Netting benefits	Netted current credit exposure	Collateral received	Net derivatives credit exposure
194,005	164,580	511,831	179,889	331,942

Determination of exposure value (Art. 439 f) CRR)

The total counterparty credit risk amounts to kEUR 511,831 as of December 31, 2020. SSEHG Group and SSBI use exclusively the mark-to-market method acc. to Art. 274 CRR as the valuation basis for own funds requirements of the derivative risk positions.

Table 29: Counterparty credit risk of SSEHG Group and SSBI acc. to Art. 439 f) CRR

Mark-to Market Method	Original Exposure Method	Standardised Method	Internal Model
511,831	-	-	-

[27] Please refer to Table 51 in the appendix where the respective extract on the accounting and valuation method for derivative financial instruments is included

Art. 439 g) to h) CRR are not applicable on Bank and Group level because there is no credit derivative business. The Bank has not requested approval form the supervisory authority to estimate α regarding Art. 439 i) CRR.

5.6 Other information

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.

As of December 31, 2020 both SSEHG Group and SSBI do not have (i) loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis28 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 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.

[28] 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)

6 Unencumbered assets (Art. 443 CRR)

Art. 100 CRR prescribes that institutions shall report the level of their repurchase agreements, securities lending, and all forms of encumbered assets to the competent authorities. These additional reporting requirements have been concretized in the Commission Implementing Regulation (EU) No. 680/2014.

The required disclosures according to Art. 443 CRR i.c.w. to Delegated Regulation (EU) 2017/2295 with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets is only required for the SSEHG Group according to Art. 13 CRR. The following disclosure includes encumbered and unencumbered asset as well as an overview on the encumbered assets, maturity, contingent encumbrance and the additional disclosure requirements on the quality of encumbered and unencumbered assets ("asset quality indicators") in accordance with Art. 2 (2) of the Delegated Regulation.

General information on asset encumbrance

The disclosure of encumbered and unencumbered assets is based on the regulatory consolidation scope (SSEHG Group) according to Art. 18 CRR as already stated in chapter 2.3.

There is no difference between the pledged and transferred assets which are determined in accordance with the HGB and encumbered assets. Furthermore, there is no indication of any difference of treatment of transactions, such as when some transactions are deemed to lead to pledge or transfer of assets but not to encumbrance of assets, or vice versa.

The exposure value used for the purpose of disclosure is equivalent to the carrying amount or rather the fair value of the respective asset. As the tables 30 to 32 uses median values as required in accordance with the provisions of the Delegated Regulation, the individual positions within the tables cannot be summed up. The values are determined by interpolation using the rolling quarterly medians over the previous 12 months. The median encumbrance ratio in 2020 was 3.4%.

Accompanying narrative information

The Bank offers securities lending to its clients for which it borrows securities on the market and lends them to its clients. In the context of borrowing the securities from other market participants (which may occur through SSBT acting as agent), SSBI provides collateral to such market participants; insofar, encumbrance of assets takes place in this case. The main sources of encumbrance in the reporting year were primarily securities lending transactions and pledges of securities at Clearstream Banking Frankfurt as part of the settlement of securities transactions as well as derivative business (cash and securities). Collateralization takes place via (a) transfer of cash, (b) transfer of title to securities, or (c) pledging securities.

Under the respective agreements which are generally governed by English law, marking to market of collateral takes place, i.e., the market value of collateral to be delivered to the lender must equal the sum of (a) the aggregated amount of the borrowed securities and (b) a respective surcharge (margin); such market value is calculated on an intra-day basis.

All encumbered assets of the SSEHG Group are held by SSBI. Thus, there is no significant encumbrance between the entities of the Group.

As of December 31, 2020, more than 5% of the aggregated liabilities are denominated in USD, which qualifies the USD as a significant currency according to Art. 415 (2) CRR. The volume of encumbered assets in USD amounts to kEUR 305,722 or 32% of the total encumbrance as of reporting date.

77% or kEUR 1,273,322 (Q4/2020, median: 78% or kEUR 1,345,527) of the carrying amount of unencumbered assets are attributable to other unencumbered assets (Q4/2020: kEUR 1,647,759, median: kEUR 1,678,046) which the Bank does not deem available for encumbrance in the normal course of business (e.g. tangible or intangible assets, deferred items).

The Bank does not hold retained asset-backed securities, retained covered bonds or over-collateralization, which have to be specified or disclosed according to the Delegated Regulation. The following tables provide an overview on assets, collateral received and associated liabilities of the Group broken down by encumbrance in the reporting period.

Table 30: Assets of SSEHG Group acc. to Art. 443 CRR i.c.w. Delegated Regulation (EU) 2017/2295

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which: notionally eligible EHQLA and HQLA		of which: notionally eligible EHQLA and HQLA		of which: EHQLA und HQLA		of which: EHQLA und HQLA
Assets of the reporting institution	1,206,786	626,661			47,666,520	28,836,946		
Equity instruments	3,291	-	3,291	-	7	-	7	-
Debt securities	1,120,326	617,272	1,141,166	633,136	15,302,409	12,433,271	15,496,134	12,564,826
of which: covered bonds	85,112	-	87,861	-	173,902	-	174,412	
of which: asset-backed securities	-	-		-	2,291,611	681,148	2,280,389	679,770
of which: issued by general governments	684,079	487,853	704,343	501,190	9,709,414	9,962,540	9,841,920	10,080,171
of which: issued by financial corporations	251,177	-	254,358	-	5,169,490	2,512,818	5,235,388	2,546,899
of which: issued by non-financial corporations	185,219	-	186,152	-	394,995	28,735	395,707	28,909
Other assets	109,373	18,513			32,401,519	16,580,756		
of which: Loans on demand	79,367	18,513			23,392,935	16,580,756		
of which: Loans and advances other than Loans on demand	3,641	-			7,530,387	-		
of which: Other assets	32,471	-			1,678,046	-		

Table 31: Collateral received by the SSEHG Group according to Art. 443 CRR i.c.w. Delegated Regulation (EU) 2017/2295

	Fair Value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA
Collateral received by the institution	788,380	204,998	9,808,215	3,151,497
Loans on demand	-	-	-	-
Equity instruments	543,029	430	110	
Debt securities	261,709	204,568	9,808,181	3,151,497
of which: covered bonds	-	-	89,779	-
of which: asset-backed securities	-	-	4,308,937	-
of which: issued by general governments	218,439	204,568	3,154,600	3,151,497
of which: issued by financial corporations	2,483	-	6,553,862	-
of which: issued by non-financial corporations	32,917	-	56,050	-
Loans and advances other than loans on demand	-	-	-	-
Other collateral received	-	-	-	-
Own debt securities issued other than own covered bonds or asset-backed securities	-	-	-	-
Own covered bonds and asset-backed securities issued and not yet pledged			-	-
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	2,011,524	831,659		

Table 32: Encumbered assets, collateral received and associated liabilities of SSEHG Group according to Art. 443 CRR

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and asset-backed securities (ABS) encumbered
Carrying amount of selected financial liabilities	22,329	31,379

7 Leverage Ratio (Art. 451 CRR)

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 (Art. 429 CRR). At the reporting date, the ratio has been calculated based on the requirements both at SSEHG Group consolidated and SSBI individual level.

The following disclosure of the Leverage Ratio as of December 31, 2020 at SSEHG Group and SSBI level is published in accordance with the regulation and the templates of the Commission Implementing Regulation (EU) 2016/200.

The Leverage Ratio requirements are part of SSBI's risk appetite framework with internal thresholds and escalation processes being defined. The Leverage Ratio composition is being monitored on a daily basis. Based on the business model of the bank (being a liability driven custody bank) and the resulting balance sheet structure two sources of funding drive the level Leverage Ratio exposures. First and foremost, these are the client deposits. Second item are short term Intercompany placements. Predominantly the latter is being actively reduced by the Bank in case the Leverage Ratio composition requires to do so. Whereas leverage ratio requirements are part of SSBI's internal business and financial forecasting process it is to be noted, that SSBI usually experiences elevated short term Leverage Ratio Exposure requirements over month- and quarter ends given its business model.

For operational management purposes, the Leverage Ratios of SSEHG Group and SSBI are reported monthly to the ALCO and developments and trends are respectively analyzed in case of relevant changes. Based on such analysis, the ALCO discusses potential management actions on consolidated or individual entity level and presents it to the EMB for approval. In the theoretical case of excessive leverage consumption SSBI could also consider to initiate capital actions.

With regard to the non-risk-based TLAC ratio (based on the leverage ratio), we refer to the section 4.2.

In view of the COVID-19 pandemic and after approval by the ECB, both SSEHG Group and SSBI were authorized to temporarily exclude certain risk positions to central banks from the total exposure measure (Art. 500b CRR in conjunction with Decision (EU) 2020/1306 of the ECB[29]). The Leverage Ratio relief is currently valid until March 31, 2022. This relief and Art. 500b (2) CRR go hand in hand with the fact that the leverage ratio of the group or the bank must be disclosed if it did not exclude those exposures. Since no use was made of this temporary exclusion as of December 31, 2020, this disclosure requirement does not apply.

[29] Decision (EU) 2020/1306 of the ECB of 16 September 2020 on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic (ECB/2020/44)

Development of the Leverage Ratio

On June 30, 2020 the Leverage Ratio for the Group was 6.0% while the ratio for the Bank was at 4.5%. As of reporting date, the ratio increased to 6.7 % at Group level and remained unchanged at 4.5 % at Bank level, respectively (see Table 35). The increase in this ratio at the consolidated level is mainly due to the increase in the reporting capital (Tier 1 capital) after the approval of the consolidated financial statements for SSEHG Group.

The following tables contain the information about the leverage ratio acc. to Art. 451 CRR as of December 31, 2020.

Table 33: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum) of SSEHG Group and SSBI i.c.w. Implementing Regulation (EU) 2016/200

		SSEHG Group	SSBI
		Applicable amount	
1	Total assets as per published financial statements	47,983,252	46,771,640
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Art. 429 (13) CRR	-115,398	-115,398
4	Adjustments for derivative financial instruments	511,831	511,831
5	Adjustments for securities financing transactions (SFTs)	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	812,792	812,792
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Art. 429 (7) CRR	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Art. 429 (14) CRR	-	-
7	Other adjustments	-1,150,853	18,113
8	**Leverage ratio total exposure measure**	**48,041,624**	**47,998,977**

Table 34: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (LRSpl) of SSEHG Group and SSBI i.c.w. Implementing Regulation (EU) 2016/200

		SSEHG Group	SSBI
		CRR leverage ratio exposures	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	39,936,254	38,521,897
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	39,936,254	38,521,897
EU-4	Covered Bonds	236,084	236,137
EU-5	Exposures treated as sovereigns	27,811,180	27,811,180
EU-6	Exposures to regional governments, multilateral development banks (MDB), international organisations and PSE not treated as sovereigns		
EU-7	Institutions	3,211,113	3,209,835
EU-8	Secured by mortgages of immovable properties	-	-
EU-9	Retail exposures	-	-
EU-10	Corporate	4,364,939	4,364,929
EU-11	Exposures in default	13,857	13,857
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligations assets)	4,299,081	2,885,958

Table 35: Leverage ratio common disclosure (LRCom) of SSEHG Group and SSBI i.c.w. Implementing Regulation (EU) 2016/200

		SSEHG Group	SSBI
		CRR leverage ratio exposures	
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	39,936,254	38,521,897
2	(Asset amounts deducted in determining Tier 1 capital)	-1,426,744	-55,033
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	38,509,510	38,466,864
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	194,005	194,005
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	317,826	317,826
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 4 to 10)	511,831	511,831
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	8,322,889	8,322,889
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	-	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Art. 429b (4) and 222 CRR	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	8,322,889	8,322,889
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	3,956,055	3,956,055
18	(Adjustments for conversion to credit equivalent amounts)	-3,143,263	-3,143,263
19	Other off-balance sheet exposures (sum of lines 17 to 18)	812,792	812,792
Exempted exposures in accordance with Art. 429 (7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Art. 429(7) CRR (on-/off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Art. 429 (14) CRR (on-/ off balance sheet))	-	-
Capital and total exposures			
20	Tier 1 capital	3,232,872	2,174,500
21	Leverage ratio total exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	48,041,624	47,998,977
Leverage Ratio			
22	Leverage ratio	6.7%	4.5%
Choice on transitional arrangements and amount of derecognized fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	-	-
EU-24	Amount of derecognized fiduciary items in accordance with Art. 429(11) CRR	-115,398	-115,398

8 Securitisations (Art. 449 CRR)

In accordance with Art. 13 CRR, disclosure requirements for exposures to securitisation positions have to be disclosed only on the level of SSEHG Group.

Securitisation activities

As of December 31, 2020 all securitisation positions of the Group are held by SSBI. In the reporting period, the Bank and the Group have acted solely as an investor in securitisations. The Group and the Bank neither have been originator nor a sponsor of securitisations nor have any re-securitisations been held or purchased. The goals of the securitisation activities are revenue generation through longer term investment and risk diversification.

Classification, book value and valuation of securitisation positions

Upon acquisition, all securitisations are assigned to the banking book based on the trading book definition according to Art. 102ff CRR. They are valued as fixed assets according to commercial law specifications in Section 253 (3) HGB. In general, the securitisation positions are intended to be held to maturity from an accounting point of view.

Securitisations are valued according to the modified lower of cost or market principle. During the reporting period there have not been any write-downs resulting from permanent impairments according to Section 253 (3) Sent. 3 HGB.

Other risks resulting from securitisation activities

Liquidity risk associated with the Group’s investment activities results from the longer term allocation of liquid means for the held-to-maturity securitisation positions. Given the fact that the majority of the Bank’s investment portfolio is concentrated in highly liquid government and agencies securities and around half of the held securitisation positions are eligible under the ECB criteria as collateral with the Deutsche Bundesbank or with the Banque Central du Luxembourg, the Group considers the liquidity risk of the securitisation position not to be material. The expected maturities of securitisations held in the portfolio are monitored on an ongoing basis.

Additionally, the Group identifies and monitors country and product concentrations within the securitisation positions.

Approach for determination of risk-weighted securitisation positions

Based on the securitization framework applicable since 2019 the SSEHG Group and SSBI apply the Securitisation External Ratings Based Approach (“SEC-ERBA”) pursuant to the requirements of Art. 263 CRR for determining RWA for securitisation positions. To obtain external ratings for securitisation positions and further to be able to determine risk weights related to the exposure class “Items representing securitisation positions” the following rating agencies have been nominated by the Bank: the McGraw-Hill Companies (under the brand name S&P), Fitch Ratings and Moody’s Investor Services. For determining the risk weights related to securitisation positions, the Bank considers the requirements of Art. 138 CRR accordingly.

The RWA amounted to EUR 470mn as of the reporting date (EUR 499mn as of June 30, 2020). This position can be divided into 19 securitisation positions that are classified as simple, transparent and standardised (“STS”) securitisations (EUR 66mn) and 85 securitisation positions (RWA EUR 404mn) without such a classification (“non-STS”).

Monitoring of credit and market price risks

Pre-trade checks and regular post-trade portfolio monitoring processes have been established to oversee changes within credit and market price risks of the securitisation positions. The pre-trade check process aims to ensure compliance of a new trade with the internal and supervisory requirements at the earliest stage. A risk assessment of a new securitisation position is conducted therein, which additionally serves as documented evidence for conformity to Art. 405 and Art. 406 CRR as well as Art. 5 of the EU regulation 2017/2402. The regular post-trade portfolio monitoring processes include, together with a regular scenario-based stress test, the comprehensive reporting and quarterly Surveillance Group Meetings which consider the risks of the Bank’s entire securities portfolio. Alongside this analysis, liquidity and investment topics of the Group/Bank are presented monthly to the decision-making body (ALCO

Committee). The risk situation of the securitisations portfolio is also discussed at necessity in the monthly Risk Management Committee meetings. The structure of the aforementioned Committees can be found in Illustration 2. The post-trade portfolio monitoring process fulfills the requirements of Art. 406 CRR as well as Art. 5 of the EU regulation 2017/2402.

Furthermore, Credit and market price risks of the securitisation positions are monitored as part of the monthly risk-bearing capacity calculation and subsequently reported to the EMB through the MIS reporting.

Hedging

The Group has not implemented a hedging strategy with respect to its securitisation positions.

Quantitative information

Compared to the last disclosure as of December 31, 2020, the Group's securitisation portfolio (based on its exposure value) has decreased by 7.5%. The volume of the consolidated portfolio decreased during this period from EUR 2,480mn to EUR 2,294mn as of 31 December 2020. Receivables from leasing and loans to corporates or SMEs are the dominant underlying asset class in the securitisations portfolio.

In 2020, the distribution of risk weights in the securitization portfolio changed slightly. The majority of securitisations (84.6% of the total exposure value, previous year 88.4%) received a risk weight of 20% or less as in the previous year.

The following table shows the securitisation positions purchased by the Group as investor, broken down by type of underlying assets and by CRSA risk weights for “securitisation exposures” as of December 31, 2020:

Table 36: Securitisation positions according to Art. 449 CRR

Securitized asset class	Risk weight	Exposure value	Own funds requirements
Residential mortgages	≤20%	308,908	2,775
	>20%≤50%	78,358	2,861
Leasing	≤20%	547,148	6,327
	>20%≤50%	195,415	6,100
	>50%≤100%	5,500	283
Loans to corporates or SMEs (treated as corporates)	≤20%	957,857	15,326
Consumer loans	≤20%	103,088	905
	>20%≤50%	74,186	2,671
Other retail exposures	≤20%	23,451	375
Total		**2,293,911**	**37,623**

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

9.1 Governance

SSBI, being the superordinate entity in accordance with section 10a (1) KWG and Art. 11 (2) sent. 2 CRR, ensures implementation of remuneration systems at the level of SSEHG Group which comply with the applicable remuneration regulations. Within the SSEHG Group only SSBI and SSHG had employees during 2020.

As a fully licensed German credit institution under the KWG, SSBI is primarily subject to the statutory remuneration requirements of both the KWG and the German Remuneration Ordinance for Institutions (the "Ordinance")[30] which implemented the remuneration requirements of the CRD IV into German law, while direct supervisory oversight of the Bank is performed by the ECB. This remuneration disclosure is, therefore, subject to section 16 (1) of the Ordinance in conjunction with Art. 450 CRR; in accordance with section 27 (1) of the Ordinance it includes also SSHG as subordinate entity within SSEHG Group. SSBI is classified as a significant institution as defined in section 1 (3c) KWG. Accordingly, the special requirements for significant institutions in part three of the Ordinance also apply.

At the same time, SSC, SSBT and SSIH are subject to the supervision and rules of the Board of Governors of the U.S. Federal Reserve System as well as other regulatory authorities in the U.S. As subsidiaries of a U.S. bank, SSBI and SSHG have to comply not only with local laws and rules of the national supervisory authorities, but also with U.S. rules and laws applicable to subsidiaries of U.S. banks. As such, they are fully integrated into the remuneration governance structure of SSC and, therefore, significantly benefit from State Street's global and EMEA ("Europe, Middle East and Africa") remuneration governance.

Corporate Remuneration Governance

At the global State Street Group level, the Human Resources Committee ("HRC") of SSC, which replaced the Executive Compensation Committee ("ECC") effective as of 20th February 2020, has ultimate oversight of the overall compensation system at State Street (the HRC's Charter is available on State Street's website). HRC members are senior professionals with strong financial/business knowledge, who are independent members of the Board of Directors of SSC. They are appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee of the Board. At December 31, 2020, there were five (5) members of the HRC. During 2020, the HRC held nine (9) meetings.

The HRC oversees all of State Street's compensation plans, policies, and programs in which senior executives participate and incentive, retirement, welfare and equity plans in which certain other employees of SSC participate. It also oversees the alignment of the incentive compensation arrangements with State Street's financial safety and soundness consistent with applicable related regulatory rules and guidance. The HRC reports or causes management to report periodically to the Board's Risk Committee ("RC") any activities undertaken by the HRC involving the oversight of any SSC risks and related policies that support the RC's overall oversight of SSC's global risk management framework. The HRC may meet in joint sessions with other committees of the Board from time to time to discuss areas of common interest and significant matters. The HRC engages Meridian Compensation Partners, a compensation consulting firm, to provide compensation consulting as part of the HRC's review of executive compensation.

The corporate Incentive Compensation Control Committee ("ICCC") consists of senior representatives of the Enterprise Risk Management ("ERM"), Compliance, Internal Audit, Finance, Legal and Global Human Resources ("GHR") departments to serve as a forum for the risk management and internal control functions to formally review and provide their assessment of incentive compensation arrangements throughout the State Street Group. This review and assessment is intended to promote the consistency of the incentive compensation ("IC") arrangements with the safety and soundness of State Street including its subsidiaries and the alignment of these arrangements with applicable regulatory guidance and regulations. The ICCC is supported by a working group comprised of GHR, Legal and other subject matter experts, which provides analytical and operational support to the ICCC. The ICCC typically meets on a regular monthly schedule and otherwise, as needed.

[30] "Institutsvergütungsverordnung" in it's version effective since April 26, 2019

In addition to the integrated, systemic role the control functions have in IC practices through the ICCC, State Street's risk identification and assessment processes are managed by ERM. The HRC evaluates a corporate multi-factor risk scorecard, developed by ERM, which is used to measure firm-wide risk performance. The scorecard equally considers financial and non-financial risks, and reflects ERM's views of State Street's current risk positioning, capabilities, and remediation status for each risk The scorecard is overseen by the RC and is used by the HRC as an input into State Street's corporate IC pool size process. The scorecard allows the HRC to holistically evaluate State Street's performance against risk management, objectives, and goals. In addition, State Street Group's Audit function regularly completes an audit of GHR IC practices and compliance with regulatory guidance.

Risk Taker Identification

State Street has identified those employees throughout the global organization who individually or as a Group are responsible for activities that may expose State Street to material amounts of risk (i.e. EU Identified Staff ("EUIS") and Federal Reserve Board Material Risk Takers ("MRTs")[31]). State Street annually reviews the variable pay arrangements used to compensate these employees and also annually reviews the effectiveness of the design and operation of State Street's incentive compensation system in providing risk-taking incentives that are consistent with the organization's safety and soundness.

SSBI & SSHG's Remuneration System and Governance

In light of the global nature of State Street's organization, State Street's remuneration plans and programs are generally established at the level of SSC and implemented locally/regionally, to comply with the applicable local legal and regulatory requirements. Therefore, the remuneration policy of SSBI reflects the nature of SSC's global remuneration approach while complying with local/regional regulatory remuneration requirements that are applicable for the Bank. SSBI only makes use of remuneration-related plans and programs that also exist at the SSC level. As described above, the Bank, therefore, also benefits from State Street's global and EMEA remuneration governance (including but not limited to the reviews of the ICCC).

SSBI ensures compliance with the remuneration regulations at SSHG by applying the SSBI remuneration policy to SSHG (as approved by the relevant bodies). While the remuneration system at these two entities is harmonized, the governance between SSBI and SSHG differs, as set out below.

At the level of SSBI, and in accordance with German company law, the Bank has a two-tier board structure that includes the EMB and the Supervisory Board ("SB"), as an independent control and supervisory body. The EMB held nineteen (19) meetings and the Bank's SB held seven (7) meetings during 2020. The Bank's remuneration policy for employees and also that for EMB members were primarily designed by GHR and also include input from the Bank's Remuneration Officers, Compliance, ERM, and Legal. GHR also ensures for an appropriate alignment between the remuneration strategy and the business as well as risk strategy when considering inputs from the relevant functions. The Remuneration Officer and the Deputy Remuneration Officer were appointed by SSBI in line with the requirements of section 23 et seq. of the Ordinance. The EMB enables the Remuneration Officers to be involved in the processes for the employee remuneration systems with sufficient resources to ensure an appropriate, permanent and effective control of the employee remuneration systems. The EMB itself has responsibility for the remuneration policy, practices and overall system for employees whereas the SB has responsibility for the EMB's remuneration arrangements.

At the level of SSHG, the SSHG Board of Directors has responsibility for the remuneration policy, practices and overall system for employees whereas SSHG's shareholder is responsible for the SSHG Board of Directors' remuneration arrangements. The SSHG Board of Directors held two (2) meetings and the shareholder of SSHG held two (2) meetings during 2020.

[31] i.e., individuals who have been identified as material risk takers pursuant to the guidance of the Board of Governors of the United States Federal Reserve System ("FRB")

Remuneration Committee

While SSHG does not, and is not expected to, have a Remuneration Committee ("RemCo"), SSBI has a dedicated RemCo, a sub-committee of the Bank's SB, which held seven (7) meetings in 2020. The membership and duties/mandate are defined in the RemCo's "Rules of Procedure" that were approved by the SB and which are in line with the requirements of section 25d (12) KWG and section 15 of the Ordinance. These duties include supporting the SB in:

- Ensuring that the overall remuneration system, specific remuneration arrangements for EMB members, and the identification of and remuneration structures for EUIS are appropriate and in-line with regulatory requirements
- Monitoring that appropriate remuneration parameters, performance criteria, assessment and deferral periods, and the conditions for a complete loss or partial reduction of the variable remuneration or the clawback of remuneration already paid out are in place
- Monitoring of the proper involvement of control functions and relevant corporate functions in the remuneration system
- Affordability requirements for variable pay have been met
- Preparing decision proposals regarding the increase of the maximum ratio between variable and fixed remuneration and reviewing compliance with the ratio

In 2020 the RemCo consisted of four (4) members who were

- The Chair of the Bank's SB who is the Chair of the Remuneration Committee; and
- The Vice-Chair of the Bank's SB; and
- The Chair of the Bank's SB Risk sub-committee; and
- One employee representative who is also a member of the SB.

The Remuneration Officers and the Head of GHR also participate in the meetings of SSBI's Remuneration Committee as non-voting permanent guests.

Key remuneration principles

State Street aims to achieve long-term growth through its core strategic goals with an emphasis on the following:

- Be an Essential Partner: Trusted, Strategic and Proactive Develop a Scalable, Configurable and Resilient End-to-End Operating Model
- Implement Cultural Transformation to Create a High-Performing Organization
- Enhance Operational Resiliency
- Execute on Behalf of Our Shareholders

State Street's overall aim with respect to remuneration is to reward and motivate high-performing employees and to provide competitive incentive opportunities, encouraging employees to learn and grow in their careers.

There are seven key remuneration principles that align State Street's remuneration system with the business strategy:

1. We emphasize total rewards
2. We target the aggregate annual value of our Total Rewards Program to be competitive with our business peers
3. We unequivocally support equal pay for work of equal value
4. Funding for our Total Rewards Program is subject to affordability and is designed to be flexible based on corporate performance
5. We differentiate pay based on performance
6. We align employees' interests with shareholders' interests
7. Our compensation plans are designed to comply with applicable regulations and related guidance, including aligning incentive compensation with appropriate risk management principles

The linkage between the remuneration strategy and business strategy is further elaborated below:

- Be an Essential Partner - Trusted, Strategic and Proactive: Our compensation plans are designed to comply with applicable regulations and related guidance, including aligning incentive compensation with appropriate risk management principles. Moreover, funding for our Total Rewards Program is subject to affordability and is designed to be flexible based on corporate performance. Overall, this allows State Street to grow sustainable client relationships on the basis of an appropriate risk management approach and an adequate financial foundation.
- Develop a Scalable, Configurable and Resilient End-to-End Operating Model: The focus lies on improving productivity and transforming our cost base through process simplification, automation and organizational redesign. Given the significant cost factor of compensation and benefits, it is paramount to deploy all remuneration elements effectively. Therefore, we differentiate pay based on performance in order to achieve the strongest possible incentivizing effect of remuneration.
- Implement Cultural Transformation to Create a High-Performing Organization: A holistic approach is needed to foster a high-performing organization. We emphasize total rewards so that remuneration is used to achieve a variety of goals. Moreover, we unequivocally support equal pay for work of equal value which is integral in mobilizing the whole company to deploy key talent developing a culture that is fostering innovation and achieving risk excellence.
- Enhance Operational Resiliency: Key talent and their propensity to ensure a high level of operational resiliency are indispensable in order to align our technology, service delivery and risk excellence teams to help us deliver “always on” services to our clients around the world while maintaining State Street’s overall risk excellence. To ensure we can attract, motivate, and retain talent, we target the aggregate annual value of our Total Rewards Program to be competitive with our business peers.
- Execute on Behalf of Our Stakeholders: As an advancing company State Street undergoes constant transformations to drive long-term financial growth for its shareholders, its employees, and all relevant stakeholders. Therefore, we align employees’ interests with shareholders’ interests.

Determination of the IC pool and the individual variable pay

In a first step the corporate IC Program pool budget is established at the beginning of the year (during Q1) as approved by the HRC and accrued based on company performance. Throughout the year, the HRC may apply its discretion (positive or negative) based on its assessment of full-year company performance (financial, business, and risk management), market trends and other factors.

Secondly, the Chief Executive Officer (“CEO”) allocates IC pools to Management Committee (“MC”) members for their respective business units or corporate functions based upon a variety of factors. The discretionary business unit allocation process entails the use of a business unit-level risk scorecard, which captures qualitative and quantitative data across ERM, Audit, Compliance, and Legal areas for every business unit and corporate function. Details on State Street’s Compensation Assessment Framework and Corporate Performance can be found in State Street’s 2020 Proxy Statement filed with the US Securities Exchange Commission and available publicly on its website.

Thirdly, MC members allocate sub-pools to heads of global businesses and functions while taking the overall pool for SSBI into account. Specifically, the CEO of SSBI participates in the process to provide a legal entity view. In a further step of legal entity view considerations, the CEO of SSBI provides each EMB member of SSBI with a pool guidance respective to their EMB remit.

Fourthly, the sub-allocation of the business unit bonus pool to an individual is then also further determined by an individual’s business manager with reference to the individual’s performance, which may be measured on both financial and non-financial criteria. At the level of the Bank, each EMB member formally signs off on all individual variable pay and salary proposals for employees working in all SSBI entities, including all branches and subsidiaries within its remit. Afterwards, these sign offs are consolidated for the CEO of SSBI to review, challenge, and approve. The same applies for all secondees. In the same context, the Bank’s Finance Regulatory Reporting Team (with input from the Bank’s ERM, Treasury and Finance departments) analyzes the total amount of variable pay, any vesting deferred awards and severance payments from an affordability perspective against several Key Performance Indicators, in line with the requirements of section 7 of the Ordinance. The results of this analysis are reviewed and approved by the EMB prior to payout of variable remuneration.

Individual incentive awards are discretionary. In addition to the formal two-pronged risk adjustment process (ex-ante and ex-post compensation adjustments) described in the Performance Adjustment Measures chapter below, in making individual incentive awards, State Street (incl. SSBI) permits the use of discretionary adjustments to awards for both financial and non-financial criteria, including (but not limited to) compliance and risk performance factors, such as non-compliance with internal policies and procedures or significant audit findings, instances where there is a significant downturn in the financial performance of, or a material risk management failure in, State Street Group or a material business unit or subsidiary.

As the remuneration strategy is built on the business and risk strategies, performance goals for each employee will in their sum support the success on the achievement of the business and risk strategies.

Performance management system

State Street's performance management involves a collaborative planning process and ongoing assessments, enabling flexibility to account for evolving business priorities, more opportunities for professional challenge and discussions on risk excellence and better performance differentiation across the workforce.

Performance management at State Street utilizes a five-stage approach:

1. Expectation Setting: The first stage takes place at the beginning of the year as a discussion about Performance Priorities. Performance Priorities are shorter term in nature, unique to the employee and reflect stretch or developmental objectives; they also could include the tasks the employee is expected to accomplish on a day-to-day basis and remain consistent; or they could be a combination of both. Performance Priorities help ensure that an employee's time is spent where it makes the biggest impact on the business and can be updated throughout the year. They are set in partnership between the manager and employee.

   Relevant EUIS who are not members of the management board within the meaning of section 2 (7) InstitutsVergV and section 1 (2) of the German Banking Act set their goals in accordance with applicable regulatory and internal requirements including weightings per goal; setting of both quantitative and qualitative goals; setting of goals at the level of SSBI, EUIS' business unit/corporate function, and on the individual level; as well as the approximately equal weighting of goals between the different levels and between quantitative and qualitative goals. Moreover, certain EUIS who are seconded into SSBI apply the described goal setting process for the goals related to their secondment. Those EUIS who participate in a structured incentive plan ("SIP") have pre-determined SIP goals, as specified in the plan rules, consisting of quantitative and qualitative goals. In order to align SIP goals and personal goals, SIP participants transpose their SIP goals into their personal goals.

   For EMB members goals are set at the level of the legal entity, 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. The goals are both quantitative and qualitative with appropriate equal weightings. Moreover, throughout all levels both multi-year and single-year goals are established with a higher weighting put on the multi-year goals. This system of goal setting is applied to both collective EMB goals applicable to all EMB members and individual/business unit EMB goals. For EMB members who are seconded into SSBI, the described goal setting process applies for the goals related to their secondment assignment.

2. Check-Ins: Stage two focuses on the facilitation of regular review and feedback between the employee and manager throughout the year. Ongoing performance discussions about performance priorities take place as monthly check-ins throughout the year. Check-ins are coaching conversations between the manager and employee about progress towards performance priorities. Employees have a regular opportunity to receive transparent feedback about performance, respond to feedback, and engage in career development and internal mobility discussions

3. Snapshots: The third stage is the manager's evaluation of employee performance twice per year using performance assessments called Snapshots. Snapshots enable managers to evaluate employee performance from the following perspectives: Performance Priorities; Demonstrated Behaviors; Risk Excellence; and Leadership Qualities. Snapshot results are being made transparent to employees.

4. Calibration: The fourth stage is a calibration process to ensure a holistic review of relative performance outcomes. Snapshot outcomes are used to inform a recommended Performance Category. This category is reviewed and adjusted for all SVPs and Managing Directors within a business unit or corporate function.
5. The final stage is the Year-End Summary/ Recap conversation between manager and employee. These discussions typically take place at the last Check-in of the year and recap performance feedback the manager provided the employee throughout the year. During this year-end conversation, managers summarize performance in MyWorkday by assigning a Performance Category to the employee designed to recap performance. Performance categories are set on a six-point scale (Frequently Exceeded, Sometimes Exceeded, Achieved, Partially Achieved, Underperformed, and New Hire/NA).

For the performance evaluation process for EUIS, the enhanced goals are taken into account relative to their weighting, but also the performance at the different levels and both qualitative as well as quantitative measurements are considered to holistically determine the final performance assessment.

Results from the Snapshots generate a recommended Performance Category for an employee to help managers prioritize IC Program pool allocations and to make Pay for Performance decisions. At the end of the year, Snapshot results are assessed and employees are prioritized into Performance Categories for Incentive Compensation decisions.

Both the Year End Performance Summary and the Snapshots inform remuneration decisions. In addition to Snapshots, managers also consider business and company performance, an employee's competitive position relative to market data and the relevant salary range, affordability and any risk excellence considerations.

9.2 Remuneration Structure

The Bank's and SSHG's key remuneration components are as follows:

Fixed Remuneration

Base Salary and Benefits

Base Salary is one element of an employee's compensation. Employees' base salaries are determined by role, bank title and by a number of other factors such as individual performance, proficiency level, year-over-year increase guidelines, statutory requirements, budget and position to market. Employees are also entitled to various benefits (such as the company car scheme in Germany) based on their bank title/position in the hierarchical structure and their location.

Role Based Allowance

Role Based Allowance ("RBA") is an element of fixed remuneration for a very limited number of individuals and are designed to deliver compensation that is reflective of an individual's role, responsibility, experience, the competitive marketplace, and is in compliance with its regulatory obligations. The key characteristics of RBAs are:

- Determined on a non-discretionary, non-performance linked basis by pre-determined criteria
- Assessed for staff in comparable roles
- Contractual cash payment in equal monthly installments
- Not subject to deferral or performance conditions/adjustments
- Not fixed term, i.e. entitlement to payment only as long as the condition of a more demanding position, function or organizational responsibility, which forms the basis for the allowance, is met

Anyone receiving an RBA is provided with an RBA award letter outlining the reasons for receipt and the terms and conditions.

Long-Service Awards

Long-service awards rewarding loyalty to State Street are granted based on the tenure with the Company. Awards can be financial or non-financial and vary for the length of tenure and between countries.

Variable Remuneration

Variable Remuneration Plans

The Incentive Compensation Plan (“IC plan”) is an integral part of the compensation strategy as set out above. The IC Plan is the primary scheme for the provision of annual discretionary bonuses and is intended to produce superior results whilst not incentivizing inappropriate risk-taking. It is designed to provide the framework for making incentive awards for purposes of:

- Linking total compensation opportunities to organizational, business line, risk management and individual performance during the applicable performance period; and
- Attracting, retaining, rewarding and motivating professionals of the highest caliber.

Except as described below with respect to a small number of employees who participate in business unit structured incentive plans (“SIPs”), all employees are eligible to participate in the IC Plan. Employees participate in either the IC Plan or a SIP, but do not participate in both at the same time for variable pay purposes.

A small number of employees in client facing roles participate in SIPs, which aim to deliver variable remuneration to plan participants based in part on the financial results they generate. These SIPs also take into account non-financial qualitative performance indicators. In addition, all SIP participants receive sufficiently high fixed compensation in order to mitigate against potential incentives to take excessive risks. All SIPs are reviewed annually by the ICCC. An employee’s eligibility to participate in a SIP, and all amounts paid under a SIP, are subject to management approval.

The “Sector Solutions SIP” is a target-based plan with two components: a quantitative component based on financial metrics and a qualitative component based on non-financial metrics. The quantitative component is paid in cash. The qualitative component is made in the form of deferred equity granted in the first half of the following year (with a 4-year quarterly vesting). The “Global Link SIP” is made up of a discretionary component and a direct drive (or quota attainment) component. The former is based on a discretionary evaluation taking into consideration, amongst other factors, client relationship expansion, sales opportunities and success, and teamwork. The discretionary component is delivered in a mix of cash (delivered every six months) and equity (delivered annually with 4-year quarterly vesting). The direct drive component is based on financial metrics and delivered in a mix of cash (delivered quarterly) and equity (delivered annually with 4-year quarterly vesting). All awards are paid/granted provided the participant is employed by State Street in good standing on the award date. For EUIS, the SIP components are restructured to ensure the regulatory requirements for the delivery of the award are met.

Executive Vice Presidents (“EVPs”) generally have an IC target structure to provide additional structure for determining Incentive Compensation. The targets are based on each executive’s role and responsibilities, performance trend, competitive and market factors and internal equity. The payout may vary within a range of 0 – 200% and is determined based on corporate and individual performance.

Incentive Compensation

Structure of variable remuneration awards under State Street’s corporate design

For the 2020 performance year (paid in the first quarter of 2021), IC awards under State Street’s corporate design consisted of deferred awards and immediate cash payments.

Under State Street’s corporate design, all Deferred Awards are subject to a four-year deferral period and vest on a quarterly basis without the application of a retention period.

Deferred Equity is awarded in the form of Deferred Stock Awards (“DSAs”) and Performance-Based Restricted Stock Units (“PRSUs”). DSAs are a contractual right to receive, on each vesting date, a set number of shares in the common stock of SSC, subject to affordability requirements and applicable terms, which may include malus, clawback, forfeiture, restrictive covenants and other conditions. The number of shares to be delivered on each vesting date is set at the award date but may be adjusted between the award date and each vesting date through the ex-post performance adjustment measures described below. EVPs are eligible to receive PRSUs in addition to DSAs. The number of PRSUs ultimately earned is initially based on three equally-weighted financial performance metrics over a forward-looking three-year period, with a subsequent adjustment percentage applied to reflect shareholder return relative to a peer group comprised of companies contained in externally-established indices. A subsequent risk adjustment percentage is then applied to the resulting vesting results. The purpose of this risk adjustment overlay is to ensure that the calculation of PRSU vested awards includes a meaningful risk adjustment and is not based solely on financial metrics. The PRSUs may also be adjusted between the award date and vesting date through the ex-post performance measures.

In order to reduce employee concentration in State Street stock that would result from using equity instruments alone to deliver the entirety of the Deferred Award, State Street also uses a non-equity deferral vehicle, called the Deferred Value Award ("DVA"). DVAs notionally track the value of a Money Market Fund and are delivered in cash on the vesting date. As with DSAs, DVAs may be adjusted between the award date and each vesting date through the ex-post performance adjustment measures described below.

Under State Street's corporate design, the allocation of immediate (i.e. cash) and deferred compensation (i.e. DSAs and DVAs) for employees up to EVPs is based on total value of an individual's 2020 IC. In general, the greater the amount of IC, the greater is the percentage that is paid as deferred awards. The deferred award is typically composed of equal percentages of DVAs and DSAs, resulting in employees at higher variable pay levels being awarded a higher percentage of equity, given their higher deferral percentage. For the 2020 IC the following allocation regime has been used:

Table 37: Allocation of cash and deferred awards

IC Min	IC Max	Allocated system for 2020	
		Non-deferred cash compensation	Deferred Compensation
$0	$54,000	100%	0%
$54,000.01	$90,000	75%	25%
$90,000.01	$100,000	70%	30%
$100,000.01	$120,000	60%	40%
$120,000.01	$150,000	55%	45%
$150,000.01	$175,000	50%	50%
$175,000.01	$200,000	45%	55%
$200,000.01	$250,000	40%	60%
$250,000.01	$500,000	25%	75%
$500,000.01	$800,000	20%	80%
$800,000.01	$1,000,000	15%	85%
$1.000.000+		10%	90%

Structure of IC awards for EUIS[32]

For EUIS (including all EMB members), the IC award differs from State Street's corporate design and is based on relevant regulatory requirements. It is delivered in two separate elements, the immediate non-deferred award (an "Immediate Cash" award delivered in cash and an "Immediate Equity" award delivered in equity) and the deferred award (delivered partly in equity and partly in cash that notionally tracks a money market instrument). More significant deferral and instrument thresholds are in place for more senior staff, i.e. the higher the total amount of variable remuneration, the higher the percentage of variable remuneration that will be deferred.

1. Immediate Award (Immediate Cash and Immediate Equity)

The Immediate Award consists of at least 50% of Immediate Equity and of 50% or less of Immediate Cash. The Immediate Award is the portion of the IC that is delivered immediately following the date of communication of the award to the employee. This typically takes place during the first quarter following the performance year to which the award relates. An Immediate Equity award immediately vests in full upon grant but can only be sold or transferred after the retention period mentioned below under "Retention Period."

2. Deferred Award (DVA, DSA, and PRSU)

EUIS receive a Deferred Award, which is delivered partly in DVAs, DSAs, and PRSUs for EVPs.

Award Distribution for EUIS:

- Cash/Equity Split
  - At least 50% of Immediate Award delivered as Immediate Equity
  - At least 50% of Deferred Award delivered in equity (DSAs and PRSUs, if applicable)

- Deferral Amounts
  - At least 40% of IC delivered as Deferred Award
  - For EMB members and EUIS directly reporting to them, at least 60% of IC delivered as Deferred Award
  - For particularly high amounts, at least 60% of IC delivered as Deferred Award

- Deferral Period and Vesting Schedule
  - For EMB members and EUIS directly reporting to them DSAs vest on an annual pro-rata basis over five years following the award date. For all other EUIS DSAs vest on an annual pro-rata basis over four years following the award date. PRSUs vest annually in equal installments after the PRSU-performance period for the remaining deferral period
  - For EMB members and EUIS directly reporting to them DVAs vest on an annual pro-rata basis over five years following the award date. For all other EUIS DVAs vest on an annual pro-rata basis over four years following the award date

- Retention Periods
  - All equity is subject to 12-month retention period post-vest during which the recipient is prohibited from sale or other transfer of the equity

[32] EUIS receiving variable pay not more than kEUR 50 or who have been EUIS for less than three months are exempt from this regulatory deferral requirement (which for the time being, is deemed appropriate for the banking industry by BaFin). Instead, these EUIS receive their variable pay per State Street's corporate design based on variable pay amount

Other Elements of Variable Pay

Guaranteed Variable Remuneration

Guaranteed variable remuneration is not typically granted to new employees. Where a strong business case can be made to justify such an award, this rationale will be reviewed along with the individual facts and circumstances of the award. Any such awards that are proposed must meet the following criteria:

- Awards may only be made in exceptional circumstances
- Awards must not last longer than 12 months (i.e., no multi-year guarantees)
- Awards are not granted if the immediately preceding activity of the staff member was in the same group
- Awards are paid only on condition that the Bank satisfies its affordability requirements at the time of grant and payout

Replacement of Previous Employer Award

Awards to new hires may be provided to compensate them for the loss of outstanding deferred awards related to previous performance years resulting from their termination of employment with their previous employer. Any such awards must meet the same criteria as the criteria for guaranteed variable remuneration mentioned above. Additionally, the quantum of such awards may not be exceeded. Furthermore, for EUIS the same requirements regarding deferral, payment in instruments, malus and clawback apply as for any variable remuneration.

Retention Awards

Additional variable remuneration may be awarded to retain staff members and forms part of the variable remuneration. Retention awards must meet the following criteria:

- Awards may only be made if there is a strong business case and its payment is aligned with the organizational and risk strategy
- Awards are subject to affordability and pay ratio requirements SSBI
- EUIS awards are subject to the requirements regarding deferral, payment in instruments, malus and clawback
- Awards are granted after the retention period/retention event has been achieved

Recognition awards

Certain employees are eligible for additional awards in recognition of their contributions that go beyond prescribed duties. These recognition awards form part of the variable remuneration. EUIS are not eligible for monetary recognition awards

Discretionary Pension Contributions

The Bank does not award any discretionary pension contributions.

Severance

Severance payments are also considered variable pay. A specific severance framework document provides guidelines for the consideration of these types of payments in relation to the termination of an employment relationship and how payments should be structured and documented to comply with the Ordinance and to qualify as privileged severance payments.

Maximum Pay Ratio

All individual variable pay is restricted to 2x fixed compensation in compliance with the maximum ratio permitted under CRD IV, Section 25a (5) KWG and Section 6 of the Ordinance (excluding control functions – see below). Shareholder approval has been obtained to extend the default maximum ratio from 1x fixed compensation to 2x fixed compensation according to section 2 (7) of the Ordinance and such has been notified to BaFin and Deutsche Bundesbank.

Remuneration of Employees in Control Functions

Control Function roles are defined in section 2 (11) of the Ordinance as Internal Audit, ERM, Compliance, HR, Business Control and back office credit control and settlement functions. Employees in control function roles are subject to a lower, defined ratio of 0.5:1 (variable to fixed compensation) to reflect the risk control, monitoring and management functions these roles perform.

Control functions have reporting lines and performance goals which are independent from the business units which they supervise to avoid conflicts of interest and to ensure the objectivity and independence of the respective employees. The management for control functions is responsible for determining remuneration to control function staff, within overall State Street guidelines. Funding for these employees is based on overall corporate results and not by reference to the business units which individual control function employees supervise to avoid potential conflicts of interest.

Moreover, to avoid conflicts of interest in the remuneration system of employees in control functions, the performance criteria of those employees are not substantially aligned to performance criteria of organizational units overseen by them. Performance criteria may only be aligned at the level of the bank and not to a substantial amount. This is ensured via the predominant use of performance criteria specific to control functions.

Performance Adjustment Measures

Both “ex-ante” and “ex-post” adjustments are applied to the award process for EUIS, which are described in the following:

Ex-ante adjustments are guided by the corporate multi-factor risk scorecard, developed by ERM, which is used to measure firm-wide risk performance. The scorecard is overseen by the RC and is used by the HRC as an input into State Street’s corporate IC pool size process. The scorecard provides a composite view of State Street’s risks using a multi-factor framework that equally considers financial and non-financial risks and reflects ERM’s views of State Street’s current risk positioning, capabilities, and remediation status for each risk. The scorecard framework utilizes several different risk inputs and perspectives to assess State Street Group’s top risks and includes the following:

- Financial risks, including market, credit, liquidity and capital adequacy, and non-financial risks, including operational execution, technology and operational resiliency and business conduct/ compliance

The ex-ante adjustments would allow adjustments for the pool at Group level (based on the determination of the remuneration body that is responsible for the oversight of the remuneration of such EUIS) and can also reduce variable pay at the individual level. Performance against the scorecard metrics is completed using data sourced from various systems in State Street Group’s control functions, including ERM, Finance and Treasury, among others. Poor risk performance, including significant or repeated compliance or risk-related violations of State Street’s policies, may result in ex- ante adjustments to an individual’s IC as part of a progressive discipline structure to hold individual employees accountable for risk performance.

It should be noted that it may be possible that an Incident which is “material” from a Bank perspective, may not be material enough to identify itself in the corporate Risk Scorecard process. The Bank has its own Risk Appetite metrics and, as such, there is an opportunity for the Bank to review threshold breaches, consider if they are a consequence of a remuneration design that allows excessive risk taking behavior and escalate accordingly to the Bank’s responsible Remuneration bodies i.e. EMB and RemCo. The Bank’s Risk Appetite metrics include relevant Bank-specific thresholds corresponding to the Bank’s risk tolerance. The captured risk categories encompass financial risks, non-financial risks, business risks, and other risks. Based on the Bank’s business model and business environment, the following risk types have been identified as relevant:

- Investment portfolio mark-to-market risk
- Interest rate risk
- Pension obligation risk
- Credit risk
- Liquidity risk
- Operational risk

- Technology and resiliency risk
- Core compliance risk
- Strategic risk
- Model risk
- Reputational risk

Before granting variable remuneration to EUIS, any negative deviations from agreed performance targets and misconduct by EUIS are considered in determining the grant amount (i.e., ex-ante risk adjustment). In case of negative deviations from agreed performance targets and/or misconduct, the grant amount can be reduced (and can be reduced to zero). Audit, Compliance, Legal and ERM reviews form part of possible performance adjustments for EUIS (internally termed the EUIS Red Flag Review). Aligned with the timing of Snapshots and the Year-End Summary, relevant SSBI Control Function Heads and the relevant SSBI Head of Legal jointly discuss conduct and non-conduct risk and compliance issues by EUIS employees. Based on the review the relevant feedback is provided to individual managers and they are asked to reflect any compliance and risk considerations in the Snapshots and/or Year-End Performance Category, including any relevant feedback from these meetings.

To provide for ex-post adjustments (after grant of award), a malus-based forfeiture provision has been additionally incorporated into the deferred IC awards for all EUIS. The provision provides for the reduction or cancellation of the amount remaining to be paid under the relevant award as well as clawback of awards paid in the event the remuneration body responsible for the oversight of the remuneration of such EUIS determined that the actions of the EUIS exposed the Bank to inappropriate risk and that exposure has resulted or could reasonably be expected to result in a material loss or losses that are or would be substantial in relation to the revenue, capital and overall risk tolerance of the Bank or a particular business of the Bank. This forfeiture provision permits the application, as appropriate, of a risk adjustment to the compensation of the responsible EUIS after the compensation is awarded. There is also a specific ex-post risk adjustment policy at the Bank's level that includes entity-sensitive criteria and thresholds.

In addition, the Deferred Award agreements for all employees (incl. non-EUIS) include a contractual provision requiring any unvested deferred awards to be forfeited in the case of termination on account of gross misconduct. Gross misconduct could include conduct that gives rise to a significant risk management failure in respect of State Street or a material business unit, which would place State Street at legal or financial risk. The terms and conditions applicable to incentive compensation awards, including the forfeiture provisions described above are contained in the applicable plan documents and individual award agreements. By accepting an award on the website of the third-party administrator, the recipients of such award acknowledge and agree that they understand and accept those forfeiture terms and the other terms and conditions applicable to the award.

Anti-circumvention and avoiding conflicts of interest, prohibition of hedging

All State Street staff are required to certify to the Standard of Conduct which prohibits them from short selling, hedging, purchasing or selling futures and options in State Street stock. In addition, appropriate compliance structures have been established to prevent hedging or other countermeasures by EUIS that may undermine or circumvent the risk adjustment applied to their variable remuneration in accordance with section 8 (2) 1 and 2 of the Ordinance. EUIS are explicitly prohibited from using personal hedging strategies or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. State Street's Personal Account Dealing team oversees and administers personal investment policies in several areas of State Street's business conducting particular regulated business activities or where employees have access to pre-trade information. In addition, the Remuneration Officer of the Bank verifies compliance with the prohibition of personal hedging and insurance strategies, which undermine the impact of the risk adjustment embedded in the remuneration arrangements, by performing yearly spot checks and in the event of concrete indication of the existence of a personal hedging strategy ad hoc checks.

The policies contain different requirements, tailored to the specific risk within each business area. For example, all purchases and sales of State Street stock outside of the IC schemes require prior clearance for certain employees. For these employees, broker statements are submitted which are reconciled to the employee records to ensure all trades have been submitted. There are also blackout periods for relevant staff which are implemented and monitored to ensure that no relevant employees trade State Street stock during such periods. Any violations are escalated to the HRC for consideration and action to be taken.

9.3 Quantitative Information

The following tables disclose the quantitative remuneration details according to Art. 450 CRR for the performance year 2020.

Table 38: Total remuneration for 2020, broken down by business areas according to Art. 450 (1) (g) CRR

Remuneration	Add-on Services	Corporate Functions	Internal Services	Main Services	Secondees and Expatriates	Total
Total remuneration	33,382,510	94,322,791	78,628,331	125,888,360	38,812,787	371,034,780
of which fixed remuneration	29,734,216	79,976,651	73,658,825	114,793,931	26,235,431	324,399,054
of which variable remuneration	3,648,294	14,346,141	4,969,505	11,094,429	12,577,356	46,635,725
Number of beneficiaries	577	1,422	3,373	2,456	175	8,003

Table 39: Aggregate quantitative information on remuneration according to Art. 450 (1) (h) & (2) CRR

Acc. to Art. 450 (1) (h) (i) & (ii) and (2) CRR	Senior Management	Management Body[33]	Seconded, Expatriated and Identified Staff	Total EUIS
Total remuneration	15,139,445	6.931,901	17,891,699	47,894,728
of which fixed remuneration	9,269,997	3,608,724	10,427,533	29,241,707
of which variable remuneration	5,869,448	3,323,177	7,464,166	18,653,021
of which cash[34]	2,619,628	1,226,020	3,543,356	8,511,004
of which shares	3,249,820	2,097,157	3,920,810	10,142,017
of which share linked instruments	0	0	0	0
of which other	0	0	0	0
Number of beneficiaries	42	7	47	133
Acc. to Art. 450 (1) (h) (i) & (ii) and (2) CRR				
Outstanding deferred remuneration[35]	5,345,700	4,675,491	7,977,340	19,224,953
of which vested	182,912	118,257	190,152	511,107
of which unvested	5,162,788	4,557,234	7,787,188	18,713,846
Acc. to Art. 450 (1) (h) (iv) and (2) CRR				
Deferred remuneration[35]	3,982,408	3,120,841	5,563,562	13,856,346
of which awarded	2,467,941	1,804,605	2,963,632	7,772,893
of which paid out	1,505,467	1,316,236	2,599,930	6,083,453
of which reduced through performance adjustments	0	0	0	0
Acc. to Art. 450 (1) (h) (v) and (2) CRR				
New sign-on payments	0	0	0	0
Number of beneficiaries of new sign-on payments	0	0	0	0
Severance payments granted	0	0	0	0
Severance payments paid	0	0	0	0
Number of beneficiaries of severance payments	0	0	0	0
Highest severance payment to a single person	0	0	0	0

[33] 7 EMB members
[34] Includes Deferred Value Awards (DVAs)
[35] Includes only DVAs, DSAs and PRSUs

Table 40: Number of individuals being remunerated EUR 1 million or more according to Art. 450 (1) (i) CRR

Remuneration	2020 (Total)
Number of individuals remunerated EUR 1 million or more	4
above 1.0 million not exceeding 1.5 million	2
above 1.5 million not exceeding 2.0 million	1
above 2.0 million not exceeding 2.5 million	0
above 2.5 million not exceeding 3.0 million	1

The Supervisory Board received remuneration with the amount of kEUR 235 in 2020 (previous year: EUR 0).

10 Non-applicable disclosure requirements

As long as non-applicable disclosure requirements for the Group and for the Bank are not evident from the report, they are outlined in the following table:

Table 41: Non-applicable disclosure requirements

Disclosure requirement	Legal basis
LCR – Quantitative information (comprehensive disclosure)	Art. 435 CRR i.c.w. EBA/GL/2017/01 (section 14)
Scope of application	Art. 436 d) und e) CRR
Additional disclosure of capital ratios other than laid down in the CRR	Art. 437 (1) f) CRR
Information on credit derivatives hedges	Art. 439 g) CRR
Notional amount of credit derivatives transactions	Art. 439 h) CRR
Permission to estimate α	Art. 439 i) CRR
Indicators of global systemic importance	Art. 441 CRR
A description of the process used to transfer issuer and issue credit assessments onto items not included in the trading book; Assignment of external rating	Art. 444 c) und d) CRR
The main types of guarantor and credit derivative counterparty and their creditworthiness	Art. 453 d) CRR
Disclosure of non-performing and forborne exposures (comprehensive disclosure in case of a gross NPL-ratio of more than 5%)	EBA/GL/2018/10 (section 15a)
Group financial support agreements according to Section 22 German Act on the Recovery and Resolution of Credit Institutions ("SAG")	Section 35 SAG

Disclosure requirements regarding Internal Model Approaches for credit risks (Art. 452 CRR), market price risks (Art. 455 CRR) and operational risks (Art. 454 CRR) are not applicable on Group or on Bank level, as no internal models for calculating own funds requirements are in place.

11 Glossary

ABS	Asset-backed security
ALCO	GmbH Asset & Liability Committee
Art.	Article
AT	Allgemeiner Teil (General Part) der MaRisk (Minimum Requirements of Risk Management)
AT1	Additional Tier 1 Capital
BA	Bankenaufsicht (Banking Supervision)
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BCBS	Basel Committee on Banking Supervision
BetrAVG	Betriebsrentengesetz
BP	Basis point
CCB	Capital Conservation Buffer
CCP	Central Counterparty
CCyB	Countercyclical Capital buffer
CEO	Chief Executive Officer
CERT-R-GmbH	Crisis Executive Response Team for Recovery der SSBI
CET1	Common Equity Tier 1
CIU	Collective Investment Undertakings
Co.	Company
CRD IV	Capital Requirements Directive IV (Directive 2013/36/EU)
CRMT	Credit risk mitigation techniques
CRR	Capital Requirements Regulation (EU No. 575/2013)
CRR II	Regulation (EU) 2019/876 amending the CRR and Regulation (EU) No. 648/2012
CRSA	Credit risk standardised approach
CVA	Credit valuation adjustment
DMC	Development and Modification Committee
DSA	Deferred Stock Award
DVA	Deferred Value Award
e.g.	exempli gratia (for example)
EaD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
ECC	Executive Compensation Committee of SSC
EFF	European Fund Finance
EHQLA	Extremely High Liquidity and Credit Quality Assets
EMB	Executive Management Board of SSBI
EMEA	Europe, Middle East and Africa
ERM	Enterprise Risk Management
ESMA	European Securities and Markets Authority
et seq.	and what follows
etc.	et cetera
EU	European Union
EUIS	EU Identified Staff
EUR	Euro
EVP	Executive Vice President
ff.	and the following
FLoD	First Line of Defense
FRB	United States Federal Reserve System

FX	Foreign Exchange
GBP	Pound Sterling
GHR	Global Human Resources
GL	Guideline
GLLP	General loan loss provisions
GmbH	Gesellschaft mit beschränkter Haftung (Limited)
G-SII	Global systematically important institutions
GTRA	Global Transition Risk Assessment
HGB	Handelsgesetzbuch (German Commercial Code)
HQLA	High-Quality Liquid Assets
HRC	Human Resources Committee
i.c.w.	in conjunction with
i.e.	id est, that is
IC	Incentive Compensation
ICAAP	Internal Capital Adequacy Assessment Process
ICCC	Incentive Compensation Control Committee of SSC
ICS	Internal Control System
ILAAP	Internal Liquidity Adequacy Assessment Process
incl.	including
INFRA	Integrated Non-Financial Risk Assessment
InstitutsVergV	Institutsvergütungsverordnung (German Remuneration Code)
IRBA	Internal Ratings Based Approach
IT	Information Technology
kEUR	Thousand Euro
KG	Kommanditgesellschaft (Limited partnership)
KWG	Kreditwesengesetz (German Banking Act)
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LREM	Leverage Ratio Exposure Measure
M&A	Mergers and Acquisitions
MaRisk	Minimum Requirements for Risk Management
MC	Management Committee
MIS	Management Information System
MLP	Managing Limited Partner of SSEHG KG
MMF	Money market fund
mn.	Million
MRT	Material Risk Taker
MTM	Mark-to market
N/A	not available
No.	Number
NPE	Non-Performing Exposures
NPL	Non-Performing Loans
OCR	Overall Capital Requirement
O-SII	Other systematically important institutions
p.a.	per annum
P2R	Pillar 2 requirement (Säule-2-Anforderungen)
PRSU	Performance Restricted Stock Unit
PSVaG	Pensionsversicherungsverein auf Gegenseitigkeit
QRM	Quantitative Risk Management
RAS	Risk Appetite Statement

RBA	Role Based Allowance
RC	Risk Committee of SSC
RemCo	Remuneration Committee
RRP	Recovery & Resolution Plan
RWA	Risk-weighted assets
S&P	Standard & Poor's Rating Services
S.à r.l.	Société à responsabilité limitée (Luxembourgian limited company)
S.A.	Société Anonyme (Luxembourgian corporation)
SA	Standardised Approach
SAG	Sanierungs- und Abwicklungsgesetz (German Act on the Recovery and Resolution of Credit Institutions)
SB	Supervisory Board
SCRA	Specific credit risk adjustment
SEC-ERBA	Securitisation External Ratings Based Approach
Sent.	Sentence
SFT	Securities Financing Transactions
SIP	Structured Incentive Plan
SLLP	Specific loan loss provision
SLoD	Second Line of Defense
SME	Small and Medium-Sized Enterprise
SolvV	Solvabilitätsverordnung (German Solvency Regulation)
SREP	Supervisory Review and Evaluation Process
SSAE 16	Statement on Standards for Attestation Engagements No. 16
SSB S.A.	State Street Banque S.A.
SSBI	State Street Bank International GmbH
SSBL	State Street Bank Luxembourg S.C.A.
SSBT	State Street Bank & Trust Company
SSC	State Street Corporation
SSEHG Group	State Street Europe Holdings Germany Group
SSEHG KG	State Street Europe Holdings Germany S.à r.l. & Co. KG
SSEHL	State Street Europe Holdings Luxembourg S.à r.l
SSGA	State Street Global Advisors
SSHG	State Street Holdings Germany GmbH
SSIH	State Street International Holdings
SSL	State Street Luxembourg S.à r.l.
STS	Simple, transparent and standardised ("STS")
T2	Tier 2 Capital
TC	Total Capital
TCR	Total Capital Ratio
TLAC	Total Loss-Absorbing Capacity
TLOD	Third Line of Defense
TREA	Total Risk Exposure Amount
TSCR	Total SREP Capital Requirement
U.S.	United States
USA	United States of America
USD	US-Dollar
VAR	Value-at risk

12 Annex A – Supplementary Disclosure tables

With regards to the disclosure of SSEHG Group's and SSBI amounts and structure of credit risks the following tables (all as of December 31, 2020) are supplementing the disclosure according to Art. 442 CRR and are included in the appendix for reasons of clarity and better readability:

Table 42: Gross exposure and average gross exposure of SSEHG Group and SSBI broken down to relevant exposure classes according to Art. 442 c) CRR

	Gross exposure		Average gross exposure based on quarter-end exposures	
	SSEHG Group	SSBI	SSEHG Group	SSBI
Central governments or central banks	24,871,489	24,871,489	25,430,514	25,430,514
Regional Governments	18,498	18,498	4,624	4,624
Public sector entities	1,280,067	1,280,067	1,164,852	1,164,852
Multilateral development bank	918,302	918,302	868,071	868,071
International organisations	850,523	850,523	840,722	840,722
Institutions	11,824,561	11,823,284	11,251,192	11,249,706
Corporates	8,385,563	8,385,554	7,856,485	7,856,625
Exposure in default	13,803	13,803	8,763	8,768
Covered bonds	236,084	236,137	258,269	258,368
Claims in the form of collective investment undertakings (CIU)	3,465	3,465	3,305	3,305
Equity exposures	10,477	10,477	10,522	10,522
Other items	449,085	408,029	424,207	386,440
Securitisations	2,293,911	2,293,556	2,243,932	2,245,083
Total	**51,155,829**	**51,113,182**	**50,365,459**	**50,327,600**

Table 43: Total amount of relevant receivables of SSEHG Group broken down by geographic regions according to Art. 442 d) CRR

Exposure class	Africa	Asia	Australia	Europe	South America	North America	Total
Central governments or central banks	-	55,620	-	23,171,214	-	1,644,656	**24,871,489**
Regional governments	-	-	-	18,498	-	-	**18,498**
Public sector entities	-	-	-	1,117,930	-	162,136	**1,280,067**
Multilateral development banks	-	210,898	-	558,944	-	148,460	**918,302**
International organisations	-	-	-	850,523	-	-	**850,523**
Institutions	-	1,963	41,664	496,538	30	11,284,366	**11,824,561**
Corporates	165	13,234	29,951	6,458,061	44	1,884,109	**8,385,563**
Exposure in Default	-	-	-	13,803	-	-	**13,803**
Covered bonds	-	-	-	236,084	-	-	**236,084**
Claims in the form of collective investment undertakings (CIU)	-	-	-	3,465	-	-	**3,465**
Equity exposures	-	-	-	10,477	-	-	**10,477**
Other items	-	-	-	342,961	-	106,124	**449,085**
Securitisations	-	-	26,258	2,219,156	-	48,497	**2.293.911**
Total	165	281,714	97,873	35,497,654	74	15,278,349	51,155,829

Table 44: Total amount of relevant receivables of SSBI broken down by geographic regions according to Art. 442 d) CRR

Exposure class	Africa	Asia	Australia	Europe	South America	North America	Total
Central governments or central banks	-	55,620	-	23,171,214	-	1,644,656	**24,871,489**
Regional Governments	-	-	-	18,498	-	-	**18,498**
Public sector entities	-	-	-	1,117,930	-	162,136	**1,280,067**
Multilateral development banks	-	210,898	-	558,944	-	148,460	**918,302**
International organisations	-	-	-	850,523	-	-	**850,523**
Institutions	-	1,963	41,664	495,260	30	11,284,366	**11,823,284**
Corporates	165	13,234	29,951	6,458,051	44	1,884,109	**8,385,554**
Exposures in default	-	-	-	13,803	-	-	**13,803**
Covered bonds	-	-	-	236,137	-	-	**236,137**
Claims in the form of collective investment undertakings (CIU)	-	-	-	3,465	-	-	**3,465**
Equity exposures	-	-	-	10,477	-	-	**10,477**
Other items	-	-	-	301,904	-	106,124	**408,029**
Securitisations	-	-	26,258	2,218,801	-	48,497	**2,293,556**
Total	165	281,714	97,873	35,455,006	74	15,278,349	51,113,182

Table 45: Total amount of relevant receivables of SSEHG Group broken down by industry sector according to Art. 442 e) CRR

Industry Sector	Banks	Pension Funds	Central governments and regional authorities	Investment funds (Non-MMF)	Non-financial corporations	Other financial intermediaries	Compulsory social security activities	Central banks	Insurance companies	Money market funds (MMF)	Corporate financing facilities and capital providers	Credit and insurance auxiliaries	Total
Central governments or central banks	-	-	8,487,431	-	-	-	-	16,384,057	-	-	-	-	24,871,489
Regional Governments	18,498					-	-		-	-	-	-	18,498
Public sector entities	552,673	-	162,136	-	-	-	565,258	-	-	-	-	-	1,280,067
Multilateral development banks	344,041	-	-	-	-	574,261	-	-	-	-	-	-	918,302
International organisations	-	-	850,523	-	-	-	-	-	-	-	-	-	850,523
Institutions	11,824,349	-	-	117	-	3	-	-	-	-	-	92	11,824,561
Corporates	7,563	2,805	21,331	4,547,120	1,958,574	1,276,570	-	-	66,626	15,393	235,430	254,151	8,385,563
Exposure in Default	-	19	-	-	13,734	-	-	-	-	-	-	50	13,803
Covered bonds	236,084	-	-	-	-	-	-	-	-	-	-	-	236,084
Claims in the form of CIU	-	-	-	3,465	-	-	-	-	-	-	-	-	3,465
Equity exposures	-	-	-	-	-	-	-	-	-	-	10,470	7	10,477
Other items	106,671	-	3,360	339,054	-	-	-	-	-	-	-	-	449,085
Securitisations	-	-	-	-	-	2,293,911	-	-	-	-	-	-	2,293,911
Total	13,071,382	2,824	9,543,280	4,889,756	1,972,308	4,144,746	565,258	16,384,057	66,626	15,393	245,900	254,299	51,155,829

Table 46: Total amount of relevant receivables of SSBI broken down by industry sector according to Art. 442 e) CRR

Industry Sector	Banks	Pension Funds	Central governments and regional authorities	Investment funds (Non-MMF)	Non-financial cooperations	Other financial intermediaries	Compulsory social security activities	Central banks	Insurance companies	Money market funds (MMF)	Corporate financing facilities and capital providers	Credit and insurance auxiliaries	Total
Central governments or central banks	-	-	8,487,431	-	-	-		16,384,057	-	-	-	-	24,871,489
Regional Governments	18,498	-		-	-	-		-	-	-	-	-	18,498
Public sector entities	552,673	-	162,136	-	-	-	565,258	-	-	-	-	-	1,280,067
Multilateral development banks	344,041	-	-	-	-	574,261	-	-	-	-	-	-	918,302
International organisations	-	-	850,523	-	-	-	-	-	-	-	-	-	850,523
Institutions	11,823,103	-	-	86	-	3		-	-	-	-	92	11,823,28
Corporates	7,554	2,805	21,331	4,547,120	1,958,574	1,276,570	-	-	66,626	15,393	235,430	254,151	8,385,554
Exposures in default	-	19	-	-	13,734	-	-	-	-	-	-	50	13,803
Covered bonds	236,137	-	-	-	-	-	-	-	-	-	-	-	236,137
Claims in the form of CIU	3,465	-	-	-	-	-	-	-	-	-	-	-	3,465
Equity exposures	-	-	-	-	-	-	-	-	-	-	10,470	7	10,477
Other items	106,671	-	3,360	292,952	-	-	-	-	-	-	-	5,045	408,029
Securitisations	-	-	-	-	-	2,293,556	-	-	-	-	-	-	2,293,556
Total	13,070,178	2,824	9,543,280	4,843,623	1,972,308	4,144,390	565,258	16,384,057	66,626	15,393	245,900	259,344	51,113,182

Table 47: Total amount of relevant receivables of SSEHG Group broken down by remaining time to maturity according to Art. 442 f) CRR

Exposure class	< 1 year	≥ 1 year and < 5 years	≥ 5 years	Total
Central governments or central banks	17,108,309	6,828,540	934,640	**24,871,489**
Regional Governments	-	-	18,498	**18.498**
Public sector entities	5,080	1,099,659	175,328	**1,280,067**
Multilateral development banks	5,182	556,162	356,958	**918,302**
International organisations	24,823	417,056	408,643	**850,523**
Institutions	11,639,849	174,577	10,135	**11,824,561**
Corporates	4,585,664	2,413,518	1,386,381	**8,385,563**
Exposure in Default	69	13,734	-	**13,803**
Covered bonds	174,926	46,032	15,125	**236,084**
Claims in the form of collective investment undertakings (CIU)	3,465	-	-	**3,465**
Equity exposures	10,477	-	-	**10,477**
Other items	402,984	-	46,102	**449,085**
Securitisations	-	26,735	2,267,176	**2.293.911**
Total	33,960,829	11,576,013	5,618,987	51,155,829

Table 48: Total amount of relevant receivables of SSBI broken down by remaining time to maturity according to Art. 442 f) CRR

Exposure class	< 1 year	≥ 1 year and < 5 years	≥ 5 years	Total
Central governments or central banks	17,108,309	6,828,540	934,640	24,871,489
Regional Governments	-	-	18,498	18,498
Public sector entities	5,080	1,099,659	175,328	1,280,067
Multilateral development banks	5,182	556,162	356,958	918,302
International organisations	24,823	417,056	408,643	850,523
Institutions	11,638,603	174,577	10,104	11,823,284
Corporates	4,585,655	2,413,518	1,374,400	8,385,554
Exposures in default	69	13,734	-	13,803
Covered bonds	174,979	46,032	15,125	236,137
Claims in the form of collective investment undertakings (CIU)	3,465	-	-	3,465
Equity exposures	10,477	-	-	10,477
Other items	408,029	-	-	408,029
Securitisations	-	26,735	2,266,820	2,293,556
Total	33,964,671	11,576,013	5,572,498	51,113,182

Table 49: Own funds of SSEHG Group and SSBI 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 Article reference	SSEHG Group before ratification of the financial statements	SSEHG Group after ratification of the financial statements	SSBI before ratification of the financial statements	SSBI after ratification of the financial statements
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	1,000	109,267	109,267
	of which: subscribed capital		1,000	1,000	109,267	109,267
3	Accumulated other comprehensive income (and other reserves)	EBA list 26 (1)	5,330,343	5,330,343	2,055,121	2,055,121
3a	Funds for general banking risks	26 (1) (f)	82,000	82,000	82,000	82,000
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**		**5,413,343**	**5,413,343**	**2,246,388**	**2,246,388**
Common Equity Tier 1 (CET1) capital: regulatory adjustments						
7	Additional value adjustments (negative amount)	34, 105	-3	-3	-3	-3
8	Intangible assets (net of related tax liability) (negative amount)	36 (1) (b), 37, 472 (4)	-1,426,728	-1,181,320	-55,017	-27,497
15	Defined-benefit pension fund assets (negative amount)	36 (1) (e), 41, 472 (7)	-16	-16	-16	-16
25a	Losses for the current financial year (negative amount)	36 (1) (a), 472 (3)	-736,871	-602,840	-	-
27a	Other regulatory adjustments		-16,852	-16,852	-16,852	-16,852
28	**Total regulatory adjustments to CET1**		**-2,180,470**	**-1,801,031**	**-71,888**	**-44,368**
29	**Common Equity Tier 1 (CET1) capital**		**3,232,872**	**3,612,311**	**2,174,500**	**2,202,021**
44	**Additional Tier 1 (AT1) capital**		**-**	**-**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**		**3,232,872**	**3,612,311**	**2,174,500**	**2,202,021**
Tier 2 (T2) capital: instruments and provisions						
46	Capital instruments and the related share premium accounts	62.63	-	-	100,000	100,000
51	**Tier 2 (T2) capital before regulatory adjustments**		**-**	**-**	**100,000**	**100,000**
Tier 2 (T2) capital: regulatory adjustments						
57	**Total regulatory adjustments to Tier 2 capital**		**-**	**-**	**-**	**-**
58	**Tier 2 (T2) capital**		**-**	**-**	**100,000**	**100,000**
59	**Total capital (TC = T1 + T2)**		**3,232,872**	**3,612,311**	**2,274,500**	**2,302,021**
60	**Total risk weighted assets**		**8,411,751**	**-**	**8,357,315**	**-**
Capital ratios and buffers						
61	**Common Equity Tier 1** (as a percentage of risk exposure amount)	92 (2) (a), 465	**38.4**	**-**	**26.0**	**-**
62	**Tier 1** (as a percentage of risk exposure amount)	92 (2) (b), 465	**38.4**	**-**	**26.0**	**-**
63	**Total capital** (as a percentage of risk exposure amount)	92 (2) (c)	**38.4**	**-**	**27.2**	**-**
64	Institution specific buffer requirement (CET1 requirement in acc. with Art. 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	CRD 128, 129, 130	7.05	-	7.05	-
65	of which: capital conservation buffer requirement		2.50	-	2.50	-
66	of which: countercyclical buffer requirement		0.05	-	0.05	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	CRD 128	28.4	-	17.2	-
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)	3,472	3,472	3,472	3,472
73	Direct and indirect holdings by the institution of the CET1 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)	10,470	10,470	10,470	10,470

Table 50: Main features of capital instruments of SSEHG Group and SSBI according to Art. 437 (1) b) CRR i.c.w. Commission Implementing Regulation (EU) No 1423/2013

No.	Main features	SSEHG Group CET 1 capital instruments: Subscribed Capital	SSBI CET 1 capital instruments: Subscribed Capital	SSBI Tier 2 capital instruments: Subordinated Loan
1	Issuer	SSEHG KG	SSBI	SSBI
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
3	Governing law(s) of the instrument	German law	German law	German law
	Regulatory treatment			
4	Transitional CRR rules	N/A	CET 1	Tier 2
5	Post-transitional CRR rules	CET 1	CET 1	Tier 2
6	Eligible at solo/(sub) consolidated/ solo & (sub-) consolidated	Consolidated	Solo and consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Limited partners' share in paid-up capital of a limited partnership as per Art. 28 CRR	GmbH Share Capital as per Art. 28 CRR	Subordinated loan as per Art. 63 CRR
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	1	109	100
9	Nominal amount of instrument	1	109	100
9a	Issue price	N/A	N/A	100
9b	Redemption price	N/A	N/A	100
10	Accounting classification	Limited partners' share in paid-up capital	Share Capital	Subordinated debts
11	Original date of issuance	October 18, 2013	September 25, 1970 Foundation of the GmbH	August 25, 2009
12	Perpetual or dated	perpetual	perpetual	dated
13	Original maturity date	N/A	N/A	August 25, 2038
14	Issuer call subject to prior supervisory approval	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	The issuer may terminate the subordinated loan on any interest payment date by giving 30 calendar days' notice (such interest payment date is generally the 10th of January of each year) following a Tax Event or a Gross-Up Event.
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons/dividends			
17	Fixed or floating dividend/coupon	N/A	N/A	fixed
18	Coupon rate and any related index	N/A	N/A	7.75% p.a.
19	Existence of a dividend stopper	N/A	N/A	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A	mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A	mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	N/A	N/A	N/A
23	Convertible or non-convertible	non-convertible	non-convertible	non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	N/A	N/A	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to creditors of the insolvency proceedings	Subordinated to Tier 2 Capital Instruments	Subordinated to creditors of the insolvency proceedings
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Table 51: Additional Terms and Conditions of the subordinated loan of the SSBI according to Art. 437 (1) c) CRR

Terms of the Contract	Details of the respective term
Interest Payment Date	"Interest Payment Date" means with respect to each Interest Period 10 January of the year following such Interest Period, with the first Interest Payment Date being 10 January 2010. If the audited unconsolidated annual financial statements of the Bank for the financial year immediately preceding such 10 January are, however, not available on such date, the Interest Payment Date shall be the third Business Day following the day on which the audited unconsolidated financial statements of the Bank regarding the financial year immediately preceding such 10 January are approved by the shareholders meeting. If, however, any Interest Payment Date is not a Business Day, the Interest Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not). "Business Day" means any day on which banks are open for general business in Germany (Clause 2.1).
Day Count Convention	Act/360
Interest Payments	Interest accrued during an Interest Period shall be payable on the related Interest Payment Date in accordance with Clause 2.1 only to the extent that the annual result, not taking into account the impact of any profit and loss transfer agreement in place, plus interest expenses on the loan documented by the Agreement which have been charged to the profit and loss statement, result in a positive amount.
Arrear of Interest Payments	The Bank must pay outstanding Arrear if Interest (in whole or in case of (i) below in whole or in part), on the earlier of: (i) the next Interest Payment Date on which and to the extent the Unconsolidated Financial Statements for the year immediately preceding such Interest Payment Date show an annual profit that exceeds the amount of Interest payable on such Interest Payment Date (ii) the Early Repayment Date, and (iii) the Maturity Date.
Subordination	The Lender irrevocably subordinates all its claims under this Agreement, including (without limitation) for repayment of principal and payment of Interest, (hereinafter, the "Claims" and each a "Claim") to the claims of all other present and future unsubordinated creditors and the claims of all other present and future subordinated creditors of the Bank. The Claims shall rank prior to any claims or rights of the shareholders of the Bank for liquidation proceeds or repayment of share capital. In the event of the dissolution, liquidation, insolvency or any proceeding for the avoidance of insolvency of the Bank, no amounts shall be payable under this Agreement until the claims against the Bank arising from the unsubordinated obligations and other subordinated obligations shall first have been satisfied in full. Any Claim shall only become payable if and to the extent the payment of such Claim would not result in an insolvency of the Bank. The Lender may not set off any claim arising under the Loan against any claims that the Bank may have against the Lender and may not exercise any retention right in respect thereof. The rights of the Lender are not secured by any form of security provided by the Bank or third person, and such security will not be provided at any time during the term of this Agreement. This Agreement shall not constitute a profit participation right of the Lender in respect of the Bank or a silent partnership of the Lender in the Bank or a profit participating loan between the Lender and the Bank.
Limited Recourse	So long as a support agreement by and among State Street Corporation, State Street Bank and Trust Company and other parties within the State Street Group is in effect, then for a period of 180 days following the occurrence of a recapitalization event, or such longer period as the Bank and the Lender shall agree upon in writing (such period of time, the "Limited Recourse Period"), no Claim shall be paid from funds, cash or other assets provided, directly or indirectly and in any form (including as equity, debt or otherwise), to the Bank by any of its affiliates (such funds, cash or assets and any proceeds thereof, the "Affiliate Financial Support"), for purposes of providing capital and/or liquidity support to the Bank as contemplated under the support agreement. During the Limited Recourse Period, the Lender shall not look to the Affiliate Financial Support to satisfy any Claim, shall not take any enforcement action with respect to the Affiliate Financial Support, and shall deliver to the Bank all of the Affiliate Financial Support, if any, which comes into the Lender's possession. The foregoing limitation on the Lender's recourse to the Affiliate Financial Support shall continue to be in effect in the event of dissolution, liquidation or insolvency of the Bank during the Limited Recourse Period. The Limited Recourse Period shall go into effect immediately, automatically and without the need for any action (including any notice to the Lender) by the Bank, upon the occurrence of a recapitalization event. The Bank may, but is not obligated to, notify the Lender of (i) the start of the Limited Recourse Period, and (ii) the funds, cash, assets and proceeds thereof which constitute Affiliate Financial Support; and each such notice shall be conclusive and binding on the Lender absent manifest error
Termination of the Loan Agreement by Lender	Termination of this Loan Agreement by the Lender shall be excluded.
Regulatory Notice	Following the conclusion of this Agreement (i) the subordination described above cannot be subsequently restricted and (ii) the term or notice periods cannot be subsequently shortened. The amount of an early repayment, if any, is to be repaid to the Bank - notwithstanding any agreement to the contrary - unless the competent authority has given its prior permission to the early repayment.
Transfer Rights	Any assignment or other disposal (e.g. by way of a pledge) of claims of the Lender under this Loan Agreement requires the prior written consent of the Bank. The assignment or other disposal must not result in the Lender incurring additional charges such as investment income tax or other withholding taxes, any estate tax, trade tax or other income tax.
Taxation	All payments due under this Agreement will be made without deduction or withholding for or on account of current of future taxes, duties or charges levied or collected by or on behalf of the Federal Republic of Germany, or by or on behalf of any political subdivision or authority therein or thereof having the power to tax, unless such deduction or withholding is required by law.

Table 52: Discussion of policies for securing collateral and establishing credit reserves (Art. 439 b) CRR)

Notes to the consolidated financial statements	Description
Accounting and Valuation methods	Derivative financial instruments are used by the Group to hedge currency risks of individual underlying transactions, to manage the balance sheet structure and to streamline management of collateral: • These include currency swaps, used to hedge currency risks arising from individual underlying customer-induced transactions. For this purpose, derivatives concluded with State Street Bank & Trust Company, Boston, USA (SSB&T) are used to close open risk exposures as part of the management of foreign exchange positions. Currency swaps are allocated organizationally to the Global Market division. • FX swaps are concluded with SSB&T in order to swap two currencies (normally USD and EUR) using FX spot transactions in the course of managing the balance sheet structure. These will be reversed using FX forward transactions at a later date that was defined upon entering into the swap. FX swaps are allocated organizationally to the Global Treasury division. In accordance with risk management requirements, documented hedging relationships are entered into at the transaction level (micro valuation units) to hedge customer-initiated currency risks. The Group recognizes these hedging relationships using the net hedge presentation method in accordance with Sec. 254 HGB. Where the offsetting changes in value resulting from the hedged risk are compensated, the changes in value in the underlying or in the hedging instrument are not recognized. Where the offsetting changes in value resulting from the hedged risk of the underlying and the hedging instrument are not compensated, general accounting and valuation principles are used for this ineffective portion. The term of the underlying transaction is used as the time horizon. The underlying transactions may be customer-initiated foreign exchange contracts. In the event that a net obligation exists, pursuant to the imparity principle, the ineffective portion of the hedged risk in the hedging relationship is recognized as an expense in accordance with circular 35 of the IDW (Institute of Public Auditors) HFA (Senior Experts Committee) by recognizing a provision for onerous contracts. The ineffective portion is determined by comparing the change in value from the hedged risk of the underlying transaction with the change in value from the hedged risk of the hedging instrument. Expenses arising from allocations made to provisions for potential losses are reported in the valuation result of the securities and lending business. All hedging relationships were subject to effectiveness testing. The fair value of derivative financial instruments is calculated on the basis of the prices observed on an active market (e.g., stock exchange prices). Recourse is made to the prices listed on the reporting date and, if these are not available, to the prices listed shortly before the reporting date. A financial instrument is listed on an active market if the price of the instrument can be easily and regularly obtained from exchanges, brokers, industrial associations, price agencies (e.g., Bloomberg) or regulatory authorities, and transactions at these prices are actually observed on a regular basis. The FX swaps used by Global Treasury to manage the balance sheet structure serve to hedge the foreign currency risk resulting from different asset and liability foreign currency positions in the same currency. They are taken into consideration when determining the special cover

Table 53: Credit quality of non-performing exposures by past due days (template 3)

		Gross carrying amounts/nominal amount										
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	6,819,597	6,777,305	434	41,858	41,746	-	31	24	57	-	-	13,857
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	522	522	-	-	-	-	-	-	-	-	-	-
Credit institutions	4,295,351	4,295,351	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,058,776	1,058,218	434	124	11	-	31	24	57	-	-	123
Non-financial corporations	1,464,948	1,423,213	-	41,734	41,734	-	-	-	-	-	-	13,734
of which: SMEs	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	16,034,153	16,034,153	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	10,049,391	10,049,391	-	-	-	-	-	-	-	-	-	-
Credit institutions	1,379,069	1,379,069	-	-	-	-	-	-	-	-	-	-
Other financial corporations	4,049,163	4,049,163	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	556,530	556,530	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	3,956,055			-								
Central banks	-			-								
General governments	-			-								
Credit institutions	9,744			-								
Other financial corporations	3,874,847			-								
Non-financial corporations	71,464			-								
Households	-			-								
Total	26,809,805	22,769,608	-	41,858	41,746	-	31	24	57	-	-	13,857

Table 54: Performing and non-performing exposures and related provisions (template 4)[36]

	Gross carrying amount/nominal amount		Accumulated impairment accumulated negative changes in fair value due to credit risk and provisions		Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures	Non-performing exposures	Performing exposures – accumulated impairment and provisions	Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		On performing exposures	On non-performing exposures
Loans and advances	6,819,597	41,858	-47,516	-4,700	-	3,595,250	-
Central banks	-	-	-	-	-	-	-
General governments	522	-	-	-	-	-	-
Credit institutions	4,295,351	-	-	-	-	3,595,250	-
Other financial corporations	1,058,776	124	-7,245	-124	-	-	-
Non-financial corporations	1,464,948	41,734	-40,271	-4,576	-	-	-
of which: SMEs	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-
Debt securities	16,034,153	-	-	-	-	759,172	-
Central banks	-	-	-	-	-	-	-
General governments	10,049,391	-	-	-	-	21,331	-
Credit institutions	1,379,069	-	-	-	-	10,104	-
Other financial corporations	4,049,163	-	-	-	-	699,010	-
Non-financial corporations	556,530	-	-	-	-	28,727	-
Off-balance-sheet exposures	3,956,055	-	3,623	-		-	-
Central banks	-	-	-	-		-	-
General governments	-	-	-	-		-	-
Credit institutions	9,744	-	-	-		-	-
Other financial corporations	3,874,847	-	0	-		-	-
Non-financial corporations	71,464	-	0	-		-	-
Households	-	-	-	-		-	-
Total	26,809,805	41,858	-43,893	-4,700	-	4,354,422	-

[36] As the group and the bank apply the local accounting standards (German Commercial Code, HGB), the categories of impairments within the meaning of IRFS 9.5.5 (stage 1, stage 2 and stage 3) are not to be disclosed in the table above

State Street Corporation (NYSE: STT) is one of the world's leading providers of financial services to institutional investors including investment servicing, investment management and investment research and trading. With $38.79 trillion in assets under custody and/or administration and $3.47 trillion* in assets under management as of December 31, 2020, State Street operates globally in more than 100 geographic markets and employs approximately 39,000 worldwide. For more information, visit State Street's website at www.statestreet.com