U.S. Liquidity Coverage Ratio (“LCR”) Disclosure

November 14 2022

Main Drivers of Quarterly Average LCR

State Street Corporation’s (“SSC”) LCR has remained reasonably stable and above regulatory requirements over the past two years, primarily as a result of our liquid balance sheet structure and stable funding sources. As set forth in table 1 below, SSC’s LCR was stable at 106% in 3Q22 relative to 2Q22. State Street Bank and Trust Company’s (“SSBT”) LCR decreased to 116% in 3Q22 from 122% in 2Q22, largely driven by a decrease in client deposits.

State Street retains the majority of its liquidity resources at SSBT, as we have limited business activity at SSC. This differs from many other banking organizations which may have considerable business lines directly held at the corporate holding company level. SSBT’s LCR is significantly higher than SSC’s LCR, primarily due to application of the transferability restriction in the U.S. LCR Final Rule to the calculation of SSC’s LCR. This restriction limits the amount of HQLA held at SSC’s principal banking subsidiary, SSBT and available for the calculation of SSC’s LCR to the amount of net cash outflows of SSBT. This transferability restriction does not apply in the calculation of SSBT’s LCR, and therefore SSBT’s LCR reflects the full benefit of all of its HQLA holdings. The LCR is expressed as a ratio: the denominator (net cash outflows), increases as deposits rise, while the numerator (HQLA) is restricted for SSC by the cap on recognizing the HQLA held at SSBT, thereby resulting in a lower percentage.

Relative to pre-pandemic levels, SSC deposits remain elevated but as global central banks have increased short-term interest rates, we have seen a decrease in deposit balances in 2022, in line with our expectations**(**and still elevated relative to pre-COVID-19 pandemic levels). A significant portion of these elevated deposits is considered to be operational in nature and therefore a stable source of funding, drawing only a 25% outflow rate under the LCR Rule. We treat the remaining “excess” deposits as non-operational. These excess deposits increase on a one-to-one basis both the LCR numerator (High Quality Liquid Assets, or “HQLA”), due to our investment of these deposits in HQLA, and the LCR denominator (net cash outflows), due to a 100% outflow rate, in the calculation of the LCR; subject, in the case of SSC, to the transferability restriction mentioned above.

For additional information about State Street’s HQLA, see State Street’s 2021 Form 10-K.

Table 1:

The below table includes the SSBT and SSC LCR for the last 5 quarters:

Amount in $M, except where otherwise noted	Average 3Q22	Average 2Q22	Average 1Q22	Average 4Q21	Average 3Q21
SSC					
Total Deposits	213,305	227,814	233,017	239,600	232,986
Total Client Deposits	203,211	217,669	222,755	229,215	222,351
Operational Deposits	161,772	172,618	173,624	172,907	171,172
State Street Corporation LCR	106%	106%	106%	105%	105%
State Street Corporation LCR Buffer	5,471	5,257	5,941	5,369	4,415
State Street Bank and Trust LCR	116%	122%	127%	129%	127%
State Street Bank and Trust LCR Buffer	15,491	21,137	27,598	31,419	28,068

Notes:

- The LCR Buffer is calculated as the excess stock of Liquid Assets that the entity holds over and above the required Net Cash Outflows over the hypothetical 30 days stress period.
- Deposit balances as reported to the Federal Reserve for the LCR calculation. Balances may differ from the reported deposit balances in other published materials due to period-end adjustments made after the LCR filing date.

In order to articulate the impact that changes in client deposits can have on the SSC and SSBT LCR calculation, we have included a sensitivity analysis to provide a hypothetical pro forma impact analysis under specified deposit scenarios holding all other LCR drivers constant for 3Q22. The sensitivity analysis uses 3Q22 average client deposit levels as the baseline and then reflects the different pro forma impacts of hypothetical changes (increases or decreases) to average client deposits from the baseline.

Table 2:

The below table provides 3Q22 Hypothetical LCR Client Deposit Sensitivity Analysis

Amount in $B's, except where otherwise noted	Pro Forma Decrease in Avg. Client Deposits from Actual Baseline		Actual Baseline Average 3Q22 Deposits	Pro Forma Increase in Avg. Client Deposits from Actual Baseline	
	$25B	$15B		$15B	$25B
SSC					
Total Client Deposits (Unweighted)	178	188	203	218	228
Operational Deposits (Unweighted)*	142	150	162	173	181
SSC					
High Quality Liquid Assets	87	90	95	100	103
Net Cash Outflows	82	85	90	95	98
LCR	107%	106%	106%	106%	106%
LCR Buffer	5	5	5	5	5
State Street Bank and Trust					
High Quality Liquid Assets	91	99	111	123	131
Net Cash Outflows	88	91	96	100	104
LCR	104%	109%	116%	122%	126%
LCR Buffer	4	8	15	23	27

*Operational Deposits represents line 10 in Table 3: 3Q22 SSC Quarterly Average LCR Quantitative Disclosure.

Notes:

- The analysis in the above table presents hypothetical pro forma effects for 3Q22, based upon actual data for 3Q22 (varying only client deposit levels, as noted). The analysis is for illustrative purposes only and does not represent a forecast or forward-looking statement. Figures in the table may not sum due to rounding.
- All other drivers of the LCR such as derivative exposures, placements and nostro balances etc. are held constant at the 3Q22 quarterly average and relies on several assumptions, also held constant, regarding the operational value of deposits and the legal entities in which they reside.
- LCR Buffer is the excess stock of Liquid Assets that the entity holds over and above the required Net Cash Outflows over the hypothetical 30 days stress period.

Eligible HQLA Composition: For 3Q22, SSC's average HQLA was $130.9 billion, of which $95.3 billion was eligible to be included in SSC's LCR. $35.7 billion of HQLA held at subsidiaries was ineligible for inclusion in SSC's LCR calculation due to the transferability restriction under the LCR Final Rule, relative to $43.8 billion of HQLA that was ineligible in 2Q22. SSC's HQLA excludes the amount of HQLA at SSBT that is in excess of its standalone 100% minimum LCR requirement and that is not transferable to non-bank affiliates.

Outflow Drivers: Deposits are the most significant driver of SSC's net cash outflows. The deposit outflow rates prescribed in the LCR Final Rule are based on deposit types and requirements for the recognition of operational deposits which may vary from period to period based on client investment and related activities. These variances can be significant and have a corresponding effect on SSC's LCR from period to period. SSC uses a quantitative modeling approach to identify which deposits meet the operational requirements and characteristics as prescribed in the LCR Final Rule. During 3Q22, calculated weighted average outflows of $120.5 billion were primarily driven by deposit outflows of approximately $83.1 billion, outflows related to derivative exposures and other collateral requirements totaling $16.2 billion, and outflows of undrawn committed credit and liquidity facilities of approximately $16.4 billion.

Inflow Drivers: SSC's calculated weighted average inflows of $32.1 billion for 3Q22 were primarily driven by the overnight contractual unwind of securities borrowing and lending transactions as cash and securities were returned to SSC. Placements and nostro balances held at unaffiliated banks and loans maturing within 30 days make up the remaining calculated inflows.

Quantitative Disclosure of SSC 3Q22 Quarterly Average LCR

The data presented in the quantitative disclosure below are averages of daily observations over 3Q22 and are consistent with the LCR Final Rule. In 3Q22, SSC had an average LCR of 106%, with average HQLA of $130.9 billion, of which $95.3 billion was eligible to be included in SSC's LCR numerator, and weighted average total net cash outflows of $89.8 billion (including maturity mismatch add-on of $1.4 billion).

Table 3: 3Q22 SSC Quarterly Average LCR Quantitative Disclosure

LCR Public Disclosure

07/01/2022 to 09/30/2022 In millions of U.S. Dollars		Average Unweighted Amount	Average Weighted Amount
HIGH-QUALITY LIQUID ASSETS			
1	Total eligible high-quality liquid assets (HQLA), of which:	101,593.16	95,269.09
2	Eligible level 1 liquid assets	63,504.57	63,504.57
3	Eligible level 2A liquid assets	36,343.51	30,891.98
4	Eligible level 2B liquid assets	1,745.08	872.54
CASH OUTFLOW AMOUNTS			
5	Deposit outflow from retail customers and counterparties, of which:	10,093.75	2,523.44
6	Stable retail deposit outflow	0.00	0.00
7	Other retail funding	0.00	0.00
8	Brokered deposit outflow	10,093.75	2,523.44
9	Unsecured wholesale funding outflow, of which:	203,826.14	80,543.68
10	Operational deposit outflow	161,771.77	40,304.66
11	Non-operational funding outflow	42,054.37	40,239.02
12	Unsecured debt outflow	0.00	0.00
13	Secured wholesale funding and asset exchange outflow	19,308.97	4,251.23
14	Additional outflow requirements, of which:	51,466.11	32,621.70
15	Outflow related to derivative exposures and other collateral requirements	16,471.67	16,187.62
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	34,994.44	16,434.08
17	Other contractual funding obligation outflow	595.18	595.18
18	Other contingent funding obligations outflow	0.00	0.00
19	**TOTAL CASH OUTFLOW**	285,290.15	120,535.23
CASH INFLOW AMOUNTS			
20	Secured lending and asset exchange cash inflow	31,196.73	13,425.77
21	Retail cash inflow	0.00	0.00
22	Unsecured wholesale cash inflow	11,908.46	11,392.61
23	Other cash inflows, of which:	7,321.63	7,321.63
24	Net derivative cash inflow	7,246.71	7,246.71
25	Securities cash inflow	74.92	74.92
26	Broker-dealer segregated account inflow	0.00	0.00
27	Other cash inflow	0.00	0.00
28	**TOTAL CASH INFLOW**	50,426.82	32,140.01
			Average Amount1
29	**HQLA AMOUNT**		95,269.09
30	**TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON**		88,395.22
31	**MATURITY MISMATCH ADD-ON**		1,402.44
32	**TOTAL UNADJUSTED NET CASH OUTFLOW AMOUNT**		89,797.66
33	**OUTFLOW ADJUSTMENT PERCENTAGE**		1.00
34	**TOTAL ADJUSTED NET CASH OUTFLOW AMOUNT**		89,797.66
35	**LIQUIDITY COVERAGE RATIO (%)**		106%

1 The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 liquid asset caps and the total inflow cap.

Forward-Looking Statements

This public disclosure contains forward-looking statements within the meaning of United States securities laws, including statements about our expectations and plans regarding SSC's and SSBT's liquidity coverage ratio, factors influencing those ratios and their components and our management of those ratios and their components. Forward-looking statements are often, but not always, identified by such forward-looking terminology as "plan," "forecast," "may," "expect," "project," "intend," "outlook," "priority," "objective," "believe," "anticipate," "estimate," "seek," "will," "trend," "target," "strategy" and "goal," or similar statements or variations of such terms. These statements are not guaranteeing of future performance, are inherently uncertain, are based on current assumptions that are difficult to predict and involve a number of risks and uncertainties. Therefore, actual outcomes and results may differ materially from what is expressed in those statements, and those statements should not be relied upon as representing our expectations or beliefs as of any time subsequent to the time this public disclosure is first issued. Important factors that may affect future results and outcomes include, but are not limited to:

- The consummation of our acquisition of the BBH Investor Services business is subject to the receipt of regulatory approvals and the satisfaction of other closing conditions, the failure or delay of which may prevent or further delay the consummation of the acquisition;
- We have been engaged in ongoing dialogue with U.S. and international banking regulators regarding the prolonged regulatory review process for our proposed acquisition of Brown Brothers Harriman's Investor Services business. The current regulatory environment for M&A transactions involving G-SIBs is challenging. We have developed with BBH proposed modifications to the transaction, including changes to the operating model and legal entity structure, a reduction to the purchase price and changes to regulatory approvals required to consummate the transaction. We anticipate that a modified transaction would be somewhat more complex and include a delay in timing and amount of deal synergies, resulting in a slower path to accretion. While discussions with regulators on the proposed modified transaction are ongoing, the likelihood of a successful outcome is increasingly uncertain. There can be no assurance that a mutually acceptable modified transaction will be agreed and entered into, or as to the timing or outcome of any regulatory approvals and other closing conditions for a modified transaction. The modifications to the transaction remain subject to review and approval by both BBH's partners and our Board of Directors. The Sale and Purchase Agreement allows each of State Street and BBH, the right to terminate the transaction upon written notice without a contractual penalty at any time;
- We are subject to intense competition, which could negatively affect our profitability;
- We are subject to significant pricing pressure and variability in our financial results and our AUC/A and AUM;
- The COVID-19 pandemic continues to exacerbate certain risks and uncertainties for our business;
- We could be adversely affected by geopolitical, economic and market conditions; including, for example, as a result of the present war in Ukraine; actions taken by central banks to address inflationary pressures, challenging conditions in global equity markets, and disruptions in fixed income markets such as those impacting the UK gilts;
- We have significant International operations, and disruptions in European and Asian economies could have an adverse effect on our consolidated results of operations or financial condition;
- Our investment securities portfolio, consolidated financial condition and consolidated results of operations could be adversely affected by changes in the financial markets;
- Our business activities expose us to interest rate risk;

- We assume significant credit risk to counterparties, who may also have substantial financial dependencies with other financial institutions, and these credit exposures and concentrations could expose us to financial loss;
- If we are unable to effectively manage our capital and liquidity, our consolidated financial condition, capital ratios, results of operations and business prospects could be adversely affected;
- If we experience a downgrade in our credit ratings, or an actual or perceived reduction in our financial strength, our borrowing and capital costs, liquidity and reputation could be adversely affected;
- Our business and capital-related activities, including common share repurchases, may be adversely affected by capital and liquidity standards required as a result of capital stress testing;
- We face extensive and changing government regulation in the jurisdictions in which we operate, which may increase our costs and compliance risks;
- Our businesses may be adversely affected by government enforcement and litigation;
- The transition away from LIBOR may result in additional costs and increased risk exposure;
- The quantitative models we use to manage our business may contain errors that could result in material harm;
- Our reputation and business prospects may be damaged if our clients incur substantial losses or are restricted in redeeming their interests in investment pools that we sponsor or manage;
- The impacts of climate change, and regulatory responses to such risks, could adversely affect us; and
- We may incur losses as a result of unforeseen events, including terrorist attacks, natural disasters, the emergence of a new pandemic or acts of embezzlement.

Other important factors that could cause actual results to differ materially from those indicated by any forward-looking statements are set forth in our Form 10-Q Report and on subsequent SEC filings. We encourage investors to read these filings, particularly the sections on risk factors, for additional information with respect to any forward-looking statements and prior to making any investment decision. The forward-looking statements contained in this public disclosure should not by relied on as representing our expectations or beliefs as of any time subsequent to the time this public disclosure is first issued, and we do not undertake efforts to revise those forward-looking statements to reflect events after that time.