Liquidity Coverage Ratio Public Disclosure

August 13, 2018

Background and Context on Disclosure Requirement

This public disclosure of State Street Corporation ("SSC" or "State Street") is provided to meet the requirements of Regulation WW (Liquidity Risk Measurement Standards) of the Board of Governors of the Federal Reserve System ("Federal Reserve").

In 2014, U.S. banking regulators issued a final rule ("LCR Final Rule") to implement the Basel Committee on Banking Supervision's liquidity coverage ratio ("LCR") in the United States. The LCR is intended to promote the short-term resilience of internationally active banking organizations, like State Street, to improve the banking industry's ability to absorb shocks arising from market stress over a 30 calendar day period and improve the measurement and management of liquidity risk. The LCR measures an institution's high-quality liquid assets as defined in the LCR Final Rule ("HQLA"), against its net cash outflows under a prescribed stress environment. SSC reports its LCR to the Federal Reserve daily.

Under the LCR Final Rule, certain categories of assets may qualify as eligible HQLA and may contribute to the HQLA amount if they are unencumbered by liens or other restrictions on transfer and can therefore be converted quickly into cash without reasonably being expected to incur losses in excess of the applicable prescribed LCR haircuts during a stress period. The LCR establishes three categories of HQLA: level 1 liquid assets, level 2A liquid assets and level 2B liquid assets. The fair value, as determined under U.S. generally accepted accounting principles ("GAAP") of level 2A liquid assets and level 2B liquid assets is subject to haircuts of 15 percent and 50 percent, respectively. After application of these haircuts, the amount of level 2 liquid assets (that is, the total of level 2A and level 2B liquid assets) may not comprise more than 40 percent of the total HQLA amount and the amount of level 2B liquid assets may not comprise more than 15 percent of the total HQLA amount.

SSC is required to calculate and maintain an LCR that is equal to or greater than 100%. This means that SSC is required to maintain HQLA in an amount that is no less than its total net cash outflow amount over a forward-looking 30 calendar-day stressed period, as provided for in the LCR Final Rule. Calculation of the LCR therefore involves underlying assumptions implicit in the calculation methodology, including prescribed haircut and run-off factors, concerning the nature, scope and effects of a stressed environment over the projected 30 calendar-day period. Those assumptions do not reflect State Street's projections regarding the nature, scope or effects of a potential stressed environment over such a period, and the LCR and the data elements underlying its calculation do not represent State Street forecasts. The actual nature, scope or effects of such a potential stressed environment may differ from the assumptions underlying the calculation of the LCR.

Compliance with the LCR has required that we maintain an investment portfolio that contains an adequate amount of HQLA. In general, HQLA investments generate a lower investment return than other types of assets, resulting in a negative impact on our net interest income and our net interest margin. In addition, the level of HQLA we are required to maintain under the LCR is dependent upon our client relationships and the nature of services we provide, which may change over time. For example, if the percentage of our operational deposits relative to deposits that are not maintained for operational purposes decreases, we would expect to require additional HQLA in order to maintain our LCR.

In December 2016, the Federal Reserve issued a final rule ("LCR Disclosure Rule") requiring large banking organizations, including SSC, to publicly disclose certain information about their LCR. For SSC, the LCR Disclosure Rule became effective for the second fiscal quarter of 2017. The LCR Disclosure Rule requires SSC to make a quarterly public disclosure consisting of both quantitative information in a standardized template and a qualitative discussion of factors that have a significant impact on the LCR. The disclosures must remain publicly available for a period of at least five years after the disclosure date.

Liquidity Management at State Street

State Street's approach to risk management involves all levels of management, from the Board of Directors 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 review and challenge. Risk management is the responsibility of each employee, and is implemented through three lines of defense.

The business units, which own and manage the risks inherent in their businesses, are considered the first line of defense. Global Treasury is the first line of defense in, and responsible for management of, SSC's liquidity. This includes the day-to-day management of State Street's global liquidity position, the development and monitoring of key liquidity risk metrics and early warning indicators, the creation and execution of stress tests, the evaluation and implementation of regulatory requirements, the maintenance and execution of liquidity guidelines and contingency funding plans and reporting to management risk committees and the Board of Directors. As part of these responsibilities, Global Treasury calculates the LCR, consistent with applicable regulatory requirements. For this purpose, Global Treasury implements a calculation process designed to include appropriate controls to promote accuracy and timeliness of the LCR calculation, including sourcing data via automated methods and attribution analysis to understand day over day variances and drivers. Global Treasury reports into the Corporate Treasurer.

Enterprise Risk Management ("ERM") and other support functions are considered the second line of defense. Global Treasury Risk Management ("GTRM"), part of ERM, provides separate oversight over the identification, communication and management of Global Treasury's risks in support of State Street's business strategy. GTRM's responsibilities relative to liquidity risk management include the development and review of policies and guidelines; the development of risk appetite statement limits; and the monitoring of limits related to adherence to liquidity risk guidelines and associated reporting. As part of these responsibilities, GTRM conducts a variety of activities relative to LCR, including: review of the liquidity risk management framework and regulations; development of internal limits for LCR above the regulatory minimum and internal escalation framework; and separate monitoring of the LCR results produced by Global Treasury. GTRM reports into the Chief Risk Officer.

Corporate Audit serves as the third line of defense and assesses the effectiveness of the first and second lines of defense. Corporate Audit reports into the General Auditor.

Main Drivers of SSC LCR

Eligible HQLA Composition: For the second quarter of 2018 (“2Q18”), SSC’s HQLA eligible to be included in SSC’s LCR numerator was $59.3 billion. This amount excludes HQLA held at subsidiaries due to the transferability restriction under the LCR Final Rule. Prior to the application of the transferability restriction, SSC’s level 1 liquid assets for 2Q18 exceeded $59.3 billion; therefore, we consider SSC’s eligible HQLA balance of $59.3 billion to be entirely level 1 assets.

Outflow Drivers: SSC has a liability-driven balance sheet, and deposits are the most significant driver of its net cash outflows. The deposit outflow rates prescribed in the LCR Final Rule are based on the types of its deposits and requirements for recognition of operational deposits which may vary from period to period based on client investment and related activities. These period to period variances could be significant and have a corresponding effect on SSC’s LCR. State Street uses a quantitative modeling approach to identify which deposits meet the operational requirements and characteristics as prescribed in the LCR Final Rule. During 2Q18, calculated outflows of $100.5 billion were primarily driven by calculated deposit outflows of approximately $63.7 billion, calculated outflows of undrawn committed credit and liquidity facilities of approximately $13.0 billion and calculated outflows related to foreign exchange and interest rate swap derivative activity totaling $6.3 billion.

Inflow Drivers: SSC’s calculated inflows of $46.2 billion for 2Q18 were primarily driven by the overnight contractual unwind of securities borrowing and lending transactions as cash and securities were returned to State Street. Placements and nostro balances held at unaffiliated banks and loans maturing within 30 days make up the remaining calculated inflows.

Quantitative Disclosure of SSC Q2 2018 LCR

The data presented in the quantitative disclosure below are simple averages of daily observations over 2Q18. The terms are as defined or used in, and amounts are calculated consistent with, the LCR Final Rule. In 2Q18, SSC had an average LCR of 108%, with average HQLA of $59.3 billion and average net cash outflows of $54.9 billion.

SSC’s average LCR of 108% in 2Q18 was 1% lower than 1Q18 levels of 109%. During 2Q18, net cash outflows increased as a result of changes in our business funding mix, which was partially offset by a decrease in non-operational client deposits. The decrease in SSC’s LCR was primarily a result of the increase of net cash outflows due to the drivers previously mentioned.

Figure 1: 2Q18 SSC LCR Quantitative Disclosure

LCR Public Disclosure			
04/01/2018 to 06/29/2018 **In millions of U.S. Dollars**[1]		**Average Unweighted Amount**	**Average Weighted Amount**
HIGH-QUALITY LIQUID ASSETS			
1	Total eligible high-quality liquid assets (HQLA), of which:[2]	59,325	59,325
2	Eligible level 1 liquid assets	59,325	59,325
3	Eligible level 2A liquid assets	0	0
4	Eligible level 2B liquid assets	0	0
CASH OUTFLOW AMOUNTS			
5	Deposit outflow from retail customers and counterparties, of which:	242	24
6	Stable retail deposit outflow	0	0
7	Other retail funding	242	24
8	Brokered deposit outflow	0	0
9	Unsecured wholesale funding outflow, of which:	161,489	66,673
10	Operational deposit outflow	125,167	31,233
11	Non-operational funding outflow	33,341	32,474
12	Unsecured debt outflow	2,981	2,966
13	Secured wholesale funding and asset exchange outflow	63,997	11,764
14	Additional outflow requirements, of which:	44,841	19,315
15	Outflow related to derivative exposures and other collateral requirements	12,166	6,340
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	32,674	12,975
17	Other contractual funding obligation outflow	2,720	2,720
18	Other contingent funding obligations outflow	0	0
19	**TOTAL CASH OUTFLOW**	273,290	100,496
CASH INFLOW AMOUNTS			
20	Secured lending and asset exchange cash inflow	70,030	33,645
21	Retail cash inflow	0	0
22	Unsecured wholesale cash inflow	12,267	12,140
23	Other cash inflows, of which:	1,186	431
24	Net derivative cash inflow	77	77
25	Securities cash inflow	1,110	355
26	Broker-dealer segregated account inflow	0	0
27	Other cash inflow	0	0
28	**TOTAL CASH INFLOW**	83,484	46,216
			Average Amount[3]
29	**HQLA AMOUNT**		59,325
30	**TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON**		54,280
31	**MATURITY MISMATCH ADD-ON**		665
32	**TOTAL NET CASH OUTFLOW AMOUNT**		54,945
33	**LIQUIDITY COVERAGE RATIO (%)**		**108%**

[1] Details may not sum to totals because of rounding.

[2] Eligible HQLA excludes excess liquidity held at certain subsidiaries that are not transferable within the Company.

[3] 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, the total inflow cap, and for depository institution holding companies subject to subpart G, the application of the modification to total net cash outflows.

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 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 guarantees 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 date subsequent to August 13, 2018. Important factors that may affect future results and outcomes include, but are not limited to:

- increases in the volatility of, or declines in the level of, our NII, changes in the composition or valuation of the assets recorded in our consolidated statement of condition (and our ability to measure the fair value of investment securities) and changes in the manner in which we fund those assets;
- the liquidity of the U.S. and international securities markets, particularly the markets for fixed-income securities and inter-bank credits, the liquidity of the assets on our balance sheet and changes or volatility in the sources of such funding, particularly the deposits of our clients; and demands upon our liquidity, includes the liquidity demands and requirements of our clients;
- the level and volatility of interest rates, the valuation of the U.S. dollar relative to other currencies in which we record revenue or accrue expenses and the performance and volatility of securities, credit, currency and other markets in the U.S. and internationally; and the impact of monetary and fiscal policy in the U.S. and internationally on prevailing rates of interest and currency exchange rates in the markets in which we provide services to our clients;
- our ability to attract deposits and other low-cost, short-term funding, our ability to manage the level and pricing of such deposits and the relative portion of our deposits that are determined to be operational under regulatory guidelines and our ability to deploy deposits in a profitable manner consistent with our liquidity needs, regulatory requirements and risk profile;
- requirements to obtain the prior approval or non-objection of the Federal Reserve or other U.S. and non-U.S. regulators for the use, allocation or distribution of our capital or other specific capital actions or corporate activities, including, without limitation, acquisitions, investments in subsidiaries, dividends and stock purchases, without which our growth plans, distributions to shareholders, share repurchase programs or other capital or corporate initiatives may be restricted;
- economic or financial market disruptions in the U.S. or internationally, including those which may result from recessions or political instability; for example, the U.K.'s decision to exit from the European Union may continue to disrupt financial markets or economic growth in Europe or, potential changes in bi-lateral and multilateral trade agreements proposed by the U.S.;
- the results of our review of our billing practices, including additional findings or amounts we may be required to reimburse clients, as well as potential consequences of such review, including damage to our client relationships or our reputation and adverse actions by governmental authorities;

- the results of, and costs associated with, governmental or regulatory inquiries and investigations, litigation and similar claims, disputes, or civil or criminal proceedings;
- changes or potential changes in the amount of compensation we receive from clients for our services, and the mix of services provided by us that clients choose; and
- changes or potential changes to the competitive environment, including changes due to regulatory and technological changes, the effects of industry consolidation and perceptions of State Street as a suitable service provider or counterparty;

Other important factors that could cause actual results to differ materially from those indicated by any forward-looking statements are set forth in our 2017 Annual Report on Form 10-K and our 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.