Disclosure Report

of Goldman Sachs Bank Europe SE

(formerly known as Goldman Sachs AG),
Frankfurt am Main

for the period ended December 31, 2018 pursuant to Articles 431 to 455 of the Regulation (EU) No 575/2013

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1. Introduction

Goldman Sachs Bank Europe SE, Frankfurt am Main (hereinafter referred to as "GSBE" or "the Company") published a disclosure report for the first time on June 30, 2015 in accordance with the regulatory requirements of EU capital adequacy that became effective on January 1, 2014. The requirements and general principles of disclosure are stated in Article 431 et seqq. of Regulation (EU) 575/2013 Capital Requirements Regulation (in the following, "CRR").

The company was known as Goldman Sachs AG (GSAG) until January 15, 2019. On January 15, 2019, GSAG merged with its wholly-owned subsidiary, Goldman Sachs Gestión S.A. (GS Gestión), on a retroactive basis as of January 1, 2018. At the same time, the legal form was changed to a Societas Europaea (SE) and the name to Goldman Sachs Bank Europe SE.

During the fiscal year 2018 GSBE was supervised by the Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank ("German Central Bank").

In the wake of the UK's decision to leave the EU ("Brexit"), the Goldman Sachs Group, Inc. has planned for potential expansion of business in continental Europe. GSBE has played a central role in these plans and has extended its capabilities and market access to enable a broader range of product flows across the member states of the European Union. Consistent with these preparations, limited new activity has commenced in early 2019, but the timing and extent to which additional activity will transfer from other GS entities remains uncertain, and depends on the possible agreement of transitional provisions as part of any Brexit deal.

Additionally, GSBE has applied for and been granted a transitional period of tolerance (while the full application remains in process), to the extent of prior approval by the UK Prudential Regulation Authority, for the use of the Internal Model Method (IMM) for the calculation of exposure values for counterparty credit risk according to CRR Art. 283 as well as for calculating capital requirements under the Internal Model Approach (IMA) for market risk according to CRR Art. 363. GSBE will apply those approaches in the course of 2019.

Furthermore, the shareholders of GSBE injected a total of €300 million of equity into the entity in the form of 300 million new shares issued on February 25, 2019, which has been recognized as regulatory CET1 capital by the BaFin subsequently. In addition, the profit of € 44.1 million for the fiscal year of 2018 has been recognized as CET1 capital after the Annual General Meeting of GSBE took place.

Further information regarding the potential impact on GSBE from Brexit can be found in the published annual financial statements and the management report for the fiscal year 2018.

The annual disclosure report of GSBE is prepared in accordance with Article 433 of CRR and is published on the Goldman Sachs Group website both in English and German https://www.goldmansachs.com/disclosures/gsbank-europe-se-disclosures.html.

Parts of the disclosure requirement are satisfied by information already published in the annual financial statements and in the management report for the financial year 2018, and in accordance with Article 434(2) of CRR, is not restated in the following document.

The annual financial statements as well as the management report for the financial year 2018 are published on the Goldman Sachs Group website https://www.goldmansachs.com/investor-relations/financials/index.html.

The additional information to be disclosed in accordance with Section 26(a) of the German Banking Act (Kreditwesengesetz; in the following, "KWG") was also included in the annual financial statements and the management report for the fiscal year 2018.

2. Scope

The information in this disclosure report refers to GSBE in accordance with Article 436 of CRR.

GSBE is considered the parent company of a group of institutions under § 10a of KWG. Its subsidiary, a financial corporation according to § 1 Abs 3 KWG, is Goldman, Sachs Management GP GmbH, Frankfurt am Main. Under Article 19 of CRR the subsidiary may be exempted from the scope of consolidation so that, in accordance with Article 11 of CRR, there is no requirement for a regulatory consolidation, the rules on disclosure obligations on a consolidated basis under Article 13 do not apply.

Furthermore, the following qualitative and quantitative disclosure requirements are not currently applicable to GSBE, and are thereby not reflected in this disclosure report:

Table 1: Non relevant disclosure requirements

Article	Content
441	Indicators of global system relevance
449	Risk from securitization positions
450	Remuneration policy
452	Application of the IRB approach on credit risks
454	Use of advanced measurement approaches for operational risk
455	Use of internal models for market risk measurement

3. Goldman Sachs Bank Europe SE

GSBE is a wholly owned subsidiary of Goldman Sachs Group, Inc. and is fully consolidated in the group financial statements of The Goldman Sachs Group, Inc. based in Wilmington, Delaware, USA. The direct shareholders of GSBE are Goldman, Sachs & Co. Finanz GmbH based in Frankfurt am Main holding 1% and Goldman Sachs (Cayman) Holding Company based in George Town, Cayman Islands holding 99% of the shares.

The Company is managed by its Executive Board under its own responsibility. The Executive Board carries the full responsibility for the management of the Company in accordance with the German Stock Corporation Act. Its members are appointed and dismissed by the Supervisory Board, an independent body.

In the selection of the members of the Executive Board and Supervisory Board, a candidate for each role is considered when, in addition to the actual knowledge, capabilities and experience required by regulations, professional and personal competence of the candidates is also demonstrated. GSBE thereby places the highest requirements on persons who are considered for selection. Female and male candidates are given equal consideration.

GSBE considers diversity to be a priority for promoting the participation of qualified women in leadership positions. As part of the Goldman Sachs Group, GSBE implements the global principles, measures, and goals for diversity at Goldman Sachs. There are no goals or targets to achieve a specified ratio of female members of the Executive Board or Supervisory Board. As at December 31, 2018, female members comprised two thirds of the Supervisory Board.

The Supervisory Board of GSBE has not formed its own risk committee, since the Supervisory Board consists of only three members, and the tasks of a risk committee are performed by the entire Supervisory Board. The Supervisory Board ordinarily meets at least once per calendar quarter.

4. Risk Management Objectives and Policies

Risks are inherent in the firm's businesses and include liquidity, market, credit, operational, model, legal, compliance, regulatory and reputational risks. However, the firm endeavours not to undertake risk in form or amount that could potentially and materially impair our capital and liquidity position or the ability to generate revenues, even in a stressed environment. Where possible the firm employs mitigants and hedges, in order to manage such risks within its risk appetite levels.

Effective risk management plays a key role in the overall success of the firm and of GSBE. Accordingly, the firm has established a robust risk management framework which is designed to enable comprehensive risk management processes through which it monitors, evaluates and manages the risks the company assumes in conducting its activities.

The oversight of risk is ultimately the responsibility of the Executive Board, who oversees risk both directly and through delegation to various committees, councils and other independent control functions within GSBE. The effectiveness of the structural measures on "Internal Governance" that have been introduced is evaluated annually and a corresponding report submitted to the Executive Board and the Supervisory Board. The Executive Board and Supervisory Board have reviewed and approved the report.

The "Principles of Proper Business Organisation and Management", the Risk Handbook, the procedures for determining risk-bearing capacity and the procedures for conducting stress tests are subject to an annual review. The results are reported to the Risk Committee and the Executive Board. The Executive Board approves the results of the review and reports to the Supervisory Board.

The Executive Board has delegated certain tasks relating to the monitoring and daily implementation of risk management to the Risk Committee, the Risk Division and other independent control functions and governing bodies. Delegated tasks include the implementation of risk and liquidity strategies as well as risk management guidelines, an at least annual risk inventory assessment and the development of suggestions and possible implementation of appropriate changes to the risk strategies as well as risk control activities, policies and procedures.

The Risk Committee is responsible for the on-going monitoring and control of all financial risks associated with the activities of each entity. This includes reviewing key financial and risk metrics, including but not limited to profit and loss, capital (including the Internal Capital Adequacy Assessment Process), funding, liquidity, credit risk, market risk, operational risk, model risk, price verification and stress tests. The Credit Risk Council, which is subordinate to the Risk Committee, performs further functions and tasks in the area of credit risk management, including the monitoring and analysis of credit risks as well as the implementation and further development of the strategies and procedures that are employed in credit risk management. In this, the Risk Committee and the Credit Risk Council are obligated to report to the Executive Board appropriately in a timely manner. The Executive Board in turn reports regularly and in a timely manner to the Supervisory Board on matters relevant to risk, especially in the context of Supervisory Board meetings, and also as needed between the regular meetings.

Please refer to further information in the risk report of the management report of GSBE for the financial year 2018.

5. Risk-bearing Capacity

The risk-bearing capacity of GSBE on the basis of the liquidation approach (one year, 99.9%) was maintained on an ongoing basis and the risk utilisation of both the overall risk and individual risks remained will within the limits set by the Executive Board. As of December 31, 2018, risk utilisation was 22% for market risk, 52% for operational risk, 0% for business and earnings risk and 43% for credit risk. The total risk-bearing-capacity utilisation was 40%. Operational as well as credit risk were the main sources of risk.

6. Capital Framework

For CRD IV regulatory purposes, a financial institution's total available capital has the following components:

- Common Equity Tier 1 capital (CET1), which is comprised of common shareholders' equity, after giving effect to deductions for disallowed items and other adjustments;
- Additional Tier 1 capital which is comprised of other qualifying capital instruments; and
- Tier 2 capital, which is comprised of long term qualifying subordinated debt

Certain components of the firm's regulatory capital are subject to regulatory limits and restrictions under CRD IV. In general, to qualify as Tier 1 or Tier 2 capital, an instrument must be fully paid and unsecured. A qualifying Tier 1 or Tier 2 capital instrument must also be subordinated to all senior indebtedness of the organisation.

Under CRD IV, the minimum CET1, Tier 1 capital and Total capital ratios (collectively the Pillar 1 capital requirements) are supplemented by:

- A capital conservation buffer, consisting entirely of capital that qualifies as CET1, which began to phase in on January 1, 2016, and will continue to do so in increments of 0.625% per year until it reaches 2.5% of RWAs on January 1, 2019.
- A countercyclical capital buffer of up to 2.5% (consisting entirely of CET1) in order to counteract excessive credit growth. The buffer only applies to GSBE's exposures to certain types of counterparties and exposures based in jurisdictions which have announced and implemented a countercyclical buffer.
- Individual capital requirement under Pillar 2R (an additional amount to cover risks not adequately captured in Pillar 1). The BaFin performs a periodic supervisory review and evaluation process (SREP) of GSBE, which leads it to a final determination of the individual capital requirement under Pillar 2R. This is a point in time assessment of the minimum amount of capital the BaFin considers that a firm should hold.

The following table contains the full reconciliation from the balance sheet in the audited financial statements to regulatory own funds according to CRR Art. 437 No. 1 (a)

Table 2: Reconciliation of balance sheet equity to regulatory components of own funds

In millions EUR as of December 31, 2018	Balance sheet value acc. to financial statements (HGB)	Transition	Own funds (CRR)
Ordinary share capital	10.0	0.0	10.0
(+) Capital surplus	86.3	0.0	86.3
(+) other profit reserves	246.3	0.0	246.3
(+) Net income	44.1	-44.1	0.0
= Equity according to financial statement (HGB)	**386.7**	**-44.1**	**342.6**
= Common Equity Tier 1 capital (CRR)	**386.7**	**-44.1**	**342.6**
(+) Additional Tier 1 capital (CRR)	0.0	0.0	0.0
= Core capital (CRR)	**386.7**	**-44.1**	**342.6**
(+) Tier 2 capital	20.0	0.0	20.0
Of which subordinated debt	*20.0*	*0.0*	*20.0*
= Total capital (CRR)	**406.7**	**-44.1**	**362.6**

As of December 31, 2018 the profits for the fiscal year 2018 have not been included in regulatory capital pending completion of the audit and annual general meeting.

Table 3: Capital instruments' main features (Annex II of Commission Implementing Regulation (1423/2013)

Annex II as of December 31, 2018		Instrument type 1	Instrument type 2
1	Issuer	GSBE	GSBE
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg Identifier for private placement)	Statute	Bilateral Contract
3	Governing law of the instrument	German Law	German Law
	Regulatory treatment		
4	Transitional CRR rules	CET1 capital	Tier 2 capital
5	Post-transitional CRR rules	CET1 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated / solo & (sub-)consolidated	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Share capital	Sub debt
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	EUR 10.0 Millions	EUR 20.0 Millions
9	Nominal amount of instrument	EUR 10.0 Millions	N/A
9a	Issue price	At par	N/A
9b	Redemption price	N/A	N/A
10	Accounting classification	Equity	at amortized cost
11	Original date of issuance	1.7.2011	EUR 10,0 Millions as of 22.3.2004, EUR 10,0 Millions as of 15.4.2008
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes

15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/ dividends		
17	Fixed or floating dividend/coupon	N/A	Floating
18	Coupon rate and any related index	No	3-Months-Euro-Libor plus 150 bps
19	Existence of a dividend/coupon	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory (shareholders' resolution)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory (shareholders' resolution)	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible: Conversion trigger(s)	N/A	N/A
25	If convertible: fully or partially	N/A	N/A
26	If convertible: Conversion rate	N/A	N/A
27	If convertible: mandatory or optional conversion	N/A	N/A
28	If convertible: specify instrument type convertible to	N/A	N/A
29	If convertible: specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down: write-down trigger(s)	N/A	N/A
32	If write-down: full or partial	N/A	N/A
33	If write-down: permanent or temporary	N/A	N/A
34	If temporary write-down: description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2capital	Repayment of loan only after claims of other, non-subordinated creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Table 4: Disclosure of own funds (DVO 1423/2013 Annex IV)

Common Equity Tier 1: Instruments and reserves		(A) Amount on the day of disclosure	(B) Regulation (EU) No. 575/2013 Article reference
1	Capital instruments and the related share premium accounts	10,0	26 (1), 27, 28, 29
	of which: Instrument type 1	10.0	EBA list 26 (3)
	of which: Instrument type 2	N/A	EBA list 26 (3)
	of which: Instrument type 3	N/A	EBA list 26 (3)
2	Retained earnings	246.3	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	86.3	26 (1)
3a	Funds for general banking risk	N/A	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	N/A	486 (2)
5	Minority interests (amount allowed in consolidated CET1)	N/A	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	N/A	26 (2)
6	**Common equity tier 1 capital (CET1) before regulatory adjustments**	**342.6**	**Sum of rows 1 to 5a**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	N/A	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	N/A	36 (1) (b), 37
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	N/A	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	N/A	33(1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	N/A	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	N/A	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	N/A	33(1) (b)
15	Defined-benefit pension fund assets (negative amount)	N/A	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	N/A	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	N/A	36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	N/A	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	N/A	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU		
20a	Exposure amount which qualifies for a RW of 1250%, where the institution opts for the deduction alternative	N/A	36 (1) (k)
20b	Of which: qualifying holdings outside the financial sector (negative amount)	N/A	36 (1) (k) (i), 89 to 91
20c	Of which: securitization positions (negative amount)	N/A	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258
20d	Of which: free deliveries (negative amount)	N/A	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	N/A	36 (1) (c), 38, 48 (1) (a)

22	Amount exceeding the 15% threshold (negative amount)	N/A	48 (1)
23	Of which: amount of 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	N/A	36 (1) (i), 48 (1) (b)
24	Empty set in the EU		
25	Of which: deferred tax assets arising from temporary differences	N/A	36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)	N/A	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	N/A	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative emount)	N/A	36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	N/A	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	**Common Equity Tier 1 (CET1) capital**	342.6	Row 6 minus row 28
	Additional Tier 1 (AT1) capital: Instruments		
30	Capital instruments and the related share premium access	N/A	51, 52
31	Of which: classified as equity under applicable accounting standards	N/A	
32	Of which: classified as liability under applicable accounting standards	N/A	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	N/A	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	N/A	85, 86
35	Of which: instruments issued by subsidiaries subject to phase out	N/A	486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	N/A	Sum of rows 30, 33 and 34
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	N/A	52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	N/A	56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	N/A	56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	N/A	56 (d), 59, 79
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	N/A	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	N/A	Sum of rows 37 to 42
44	**Additional Tier 1 (AT1) capital**	N/A	Row 36 minus row 43
45	**Tier 1 capital (T1 = CET1 + AT1)**	342.6	Sum of row 29 and row 44
	Tier 2 (T2) capital: Instruments and provisions		
46	Capital instruments and the related share premium accounts	20.0	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	N/A	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	N/A	87, 88
49	Of which: instruments issued by subsidiaries subject to phase out	N/A	486 (4)
50	Credit risk adjustments	N/A	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	20.0	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	N/A	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	N/A	66 (b), 68
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a	N/A	66 (c), 69, 70, 79

	significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	N/A	66 (d), 69, 79
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	N/A	Sum of rows 52 to 56
58	**Tier 2 (T2) capital**	20.0	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	362.6	Sum of row 45 and row 58
60	**Total risk-weighted assets**	381.7	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	89.7%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	89.7%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	95.0%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	6.4%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	1.9%	
66	of which: countercyclical buffer requirement	0.0	
67	of which: systemic risk buffer requirement	0.0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII)	0.0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	85.2%	CRD 128
69	[non relevant in EU regulations]		
70	[non relevant in EU regulations]		
71	[non relevant in EU regulations]		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of 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)	0.0	36 (1) (h), 46, 45, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0.0	36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0.0	36 (1) (c), 38, 48
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	N/A	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	N/A	62
78	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	N/A	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	N/A	62
	Capital instruments subject to phase-out arrangements (only applicable between January 1, 2014 and January 1, 2022)		
80	- Current Cap on CET1 instruments subject to phase out arrangements	N/A	484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase out arrangements	N/A	484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A	484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase out arrangements	N/A	484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	484 (5), 486 (4) & (5)

The risk-based capital requirements are expressed as capital ratios that compare measures of regulatory capital to RWAs. The CET1 ratio is defined as CET1 divided by RWAs. The Tier 1 capital ratio is defined as Tier 1 capital divided by RWAs. The total capital ratio is defined as total capital divided by RWAs.

As of the balance sheet date December 31, 2018 GSBE had no relevant credit exposures to any of the countries that have a countercyclical capital buffer (CCyB) requirement, hence a CCyB requirement of 0.0%.

7. Capital Requirements

As at the date of these disclosures, GSBE used the standardised approach for measurement of regulatory capital requirements in accordance with Article 438 (c) of CRR for counterparty default risks. The credit assessment of rating agencies in accordance with Article 135 of CRR is used for the identification of exposures to the exposure classes' central government and central banks, institutions and corporates.

As of December 31, 2018 GSBE had capital levels in excess of its minimum capital requirements.

Table 5: Regulatory own funds requirements in accordance with Article 438 (c) and 439 of CRR

In millions EUR as of December 31, 2018	Risk-weighted positions	Capital requirement
Counterparty (credit) risk to		
Central governments and central banks	0.0	0.0
Regional or local authorities	-	-
Public entities	-	-
Multilateral development banks	-	-
International organisations	-	-
Institutions	69.8	5.6
Of which derivative risk positions	0.0	0.0
Of which from securities repurchase agreements	0.4	0.0
Corporates	30.7	2.5
Retail business	-	-
Real estate secured positions	-	-
Defaulted positions	-	-
High-risk positions	-	-
In form of covered bonds	-	-
Securitization positions	-	-
Institutions and corporates with short-term credit rating	-	-
In form of investments in OGA	-	-
Equity exposures	0.8	0.1
Other items	10.8	0.9
Total	**112.1**	**9.1**

GSBE enters into reverse repurchase agreements to re-invest a portion of its excess liquidity. The company considers financial collateral in the context of the calculation of capital requirements in accordance with the comprehensive method set out in Article 223 of CRR. Subject to daily revaluation and the requirement to minimize counterparty default risk, regulatory volatility adjustments are contractually agreed in accordance with Article 224 of CRR. Only collateral under Article 197 of CRR is contractually accepted.

Collateralisation for other credit risks e.g. through cash collateral is determined case-by-case by the credit department and monitored by Controllers.

The own funds requirements for market risk is calculated for GSBE in accordance with Article 352 of CRR. There were only foreign currency risks as at the reporting date.

Table 6: Regulatory own funds requirements in accordance with Article 438 (e) of CRR

In Millions EUR as of December 31, 2018	Risk-weighted positions	Capital requirement
Market risk positions		
Interest rate risk	-	-
Equity risk	-	-
Foreign currency risk	15.8	1.3
Commodities risk	-	-
Other	-	-
Trading book	-	-
Total	**15.8**	**1.3**

Operational risks are measured using the Basic Indicator Approach in accordance with Article 315 of CRR.

Table 7: Regulatory own funds requirements for operational risk in accordance with Article 438 (f) of CRR

In Millions EUR as of December 31, 2018	Risk-weighted positions	Capital requirement
Basic Indicator Approach	**253.9**	**20.3**

The own funds requirements for CVA risk are calculated in accordance with Article 382 of CRR.

Table 8: Regulatory own funds requirements for CVA risk

In Millions EUR as of December 31, 2018	Risk-weighted positions	Capital requirement
CVA risk	**0.0**	**0.0**

8. Counterparty Risk

As of the balance sheet date, interest rate swaps were conducted by GSBE only for the purpose of hedging interest rate risks arising from issued promissory note loans (Schuldscheindarlehen) and registered bonds (Namensschuldverschreibungen). Own funds requirements were calculated by GSBE using the Mark-to-Market Method in accordance with Article 274 of CRR. The derivative financial instruments were assigned to the non-trading book as of December 31, 2018.

The ISDA Master Agreement and the Tri-Party Repo Master Agreement contain the usual market close-out netting provisions. In order to minimise counterparty risk from derivative transactions, GSBE also receives cash collateral with obligations for additional payments. The positive values of future replacement costs as well as the utilisation of cash collateral are monitored daily by Controllers. Risk-weighted exposures as well as own funds requirements as of December 31, 2018 are shown in Table 5.

A reduction of the credit rating of GSBE would not have any effect on the amount of the securities to be provided.

As of the balance sheet date of December 31, 2018, GSBE had no items in the trading book.

Table 9: Regulatory own funds requirements for counterparty risk

In millions EUR as of December 31, 2018	Before netting and collateral	Netting	Held collateral	After netting and collateral	Nominal value
Interest-related contracts	33.8	0.0	33.8	0.0	151.5
Currency-related contracts	-	-	-	-	-
Share-based contracts	-	-	-	-	-
Credit derivatives	-	-	-	-	-
Commodity related contracts	-	-	-	-	-
Other	-	-	-	-	-
Total	33.8	**0.0**	**33.8**	**0.0**	**151.5**

9. Credit Adjustments

Credit risk adjustments are defined in accordance with Article 4 (1) (95) of CRR in conjunction with Delegated Regulation (EU) 183/2014 as the amount of specific and general loan loss provision for credit risks.

In the financial year 2018, GSBE had no need for individual or general value adjustment of exposures. There were no past due exposures as at the balance sheet date.

Outgoing invoices, especially those in the Investment Banking business, are defined by GSBE as "past due" when these are entirely or partially unpaid on more than 90 consecutive calendar days. In individual cases, the Executive Board adopts a loan loss provision on the basis of analysis by the Credit Department and Controllers.

Average values are based on the average of the four quarters in 2018.

However, the Company does not operate lending business as such in the financial year 2018.

Table 10: Total amount of exposures accounting offsets and before credit risk mitigation broken down by exposure classes and the corresponding average amount of exposures in accordance with Article 442 (c) of CRR

In millions EUR as of December 31, 2018	Balance sheet risk positions	Average value 2018
Counterparty (credit) risk to		
Central governments and central banks	336.5	336.2
Regional or local authorities	-	-
Public entities	-	-
Multilateral development banks	-	-
International organisations	-	-
Institutions	380.0	349.5

Of which: derivative risk positions	33.8	34.5
Of which: from securities repurchase agreements	1.0	0.4
Of which: CVA	-	-
Corporates	30.7	27.8
Retail business	-	-
Real estate secured positions	-	-
Defaulted positions	-	-
High-risk positions	-	-
In form of covered bonds	-	-
Securitization positions	-	-
Institutions and corporates with short-term credit rating	-	-
In form of investments in OGA	-	-
Equity exposures	0.4	4.0
Other items	10.8	10.8
Total	**758.4**	**728.3**

Table 11: Main geographical areas broken down by exposure classes in accordance with Article 442 (d) of CRR

In Millions EUR as of December 31, 2018	Central governments and central banks	Institutions	Corporates	Equity exposures	Other items
Germany	336.5	6.1	28.1	0.4	10.8
European monetary union	-	1.6	0.1	-	-
Europe	-	368.8	-	-	-
Africa	-	-	-	-	-
America	-	3.5	2.5	-	-
Asia	-	-	-	-	-
Not assigned to any geographic area	-	-	-	-	-
Total	**336.5**	**380.0**	**30.7**	**0.4**	**10.8**

The assignment of individual countries to geographical areas is performed according to the country listings of the German Bundesbank. The region "Europe" encompasses all countries of geographical Europe, with the exception of Germany and the other states of the European Monetary Union, which are shown separately.

Table 12: Balance sheet exposures by main sectors and exposure classes in accordance with Article 442 (e) of CRR

In Millions EUR as of December 31, 2018	Central governments and central banks	Institutions	Corporates	Equity exposures	Other items
Banks	336.1	6.3	-	-	-
Public households	0.4	-	-	-	-
Private individuals and companies	-	373.7	24.4	0.4	-
Other	-	-	6.3	0.0	10.8
Total	**336.5**	**380.0**	**30.7**	**0.4**	**10.8**

Table 13: Exposures by residual maturity and exposure classes in accordance with Article 442 (f) of CRR

In millions EUR as of December 31, 2018	Without residual maturity	< 1 Year	< 3 Years	> 5 Years
Counterparty (credit) risk to				
Central governments and central banks	336.5	-	-	-
Regional or local authorities	-	-	-	-
Public entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	345.2	0.4	0.6	33.8
Of which derivative risk positions	-	-	-	33.8
Of which from securities repurchase agreements	-	0.4	0.6	-
Of which CVA	-	-	-	-
Corporates	30.7	-	-	-
Retail business	-	-	-	-
Real estate secured positions	-	-	-	-
Defaulted positions	-	-	-	-
High-risk positions	-	-	-	-
In form of covered bonds	-	-	-	-
Securitization positions	-	-	-	-
Institutions and corporates with short-term credit rating	-	-	-	-
In form of investments in OGA	-	-	-	-
Equity exposures	0.4	-	-	-
Other items	10.8	-	-	-
Total	**723.6**	**0.4**	**0.6**	**33.8**

The contractual residual maturities have been organised in accordance with the German Ordinance Regarding Accounting for Banks and Financial Service Institutions (RechKredV). Exposures due on demand are combined with exposures without residual maturities.

10. Asset Encumbrance

Asset encumbrance refers to the pledging or use of an asset as a means to secure, collateralize or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn. Median values are computed over the preceding four quarterly data points.

There were no assets considered to be encumbered in the financial year 2018.

Table 14: Book value of encumbered and unencumbered assets in accordance with Article 443 CRR

In millions EUR	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets	-	-	702.5[1]	-
Equity instruments	-	-	-	-
Debt instruments	-	-	-	-

[1] The unencumbered assets primarily consist of loans on demand

of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	-	-	-	-
of which: issued by financial corporations	-	-	-	-
of which: issued by non-financial corporations	-	-	-	-
Other assets	-	-	702.5	-

Table 15: Collateral received for encumbered and unencumbered assets in accordance with Article 443 CRR

In millions EUR		**Unencumbered**
	Fair value of encumbered collateral received or own debt securities issued	**Fair value of collateral received or own debt securities issued available for encumbrance**
Collateral received by the reporting institution	-	9.4
Loans on demand	-	-
Equity instruments	-	1.0
Debt securities	-	4.4
of which: covered bonds	-	-
of which: asset-backed securities	-	-
of which: issued by general governments	-	-
of which: issued by financial corporations	-	3.0
of which: issued by non-financial corporations	-	-
Loans and advances other than loans on demand		
Other collateral received	-	-
Own deb securities issued other than own covered bonds or ABSs	-	-
Own covered bonds and asset-backed securities issued and not yet pledged	-	-
Total Assets, collateral received and own debt securities issued	-	-

Table 16: Sources of Encumbrance in accordance with Article 443 CRR

In Millions EUR	**Matching liabilities, contingent liabilities or securities lent**	**Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered**
Carrying amount of selected financial liabilities	-	-

11. Utilisation of External Rating Agencies

For risk-weighted exposure amounts calculated by GSBE in accordance with Part Three, Title II, Chapter 2 of CRR, external rating agencies (ECAIs) were appointed for the following receivables categories in accordance with Articles 135 and 444 of CRR:

Table 17: Appointed rating agencies (ECAIs)

Credit assessment related exposure category	Nominated rating agency
Central governments and central banks	Fitch Ratings, Standard & Poor's Rating Service, Moody's Investors Service
Institutions	Fitch Ratings, Standard & Poor's Rating Service, Moody's Investors Service
Corporates	Fitch Ratings, Standard & Poor's Rating Service, Moody's Investors Service

Calculation of risk-weighted exposure amounts was performed in accordance with Article 113 of CRR in conjunction with Article 135 of CRR. In cases where there is only one external credit rating, it is directly taken into account. In cases where there is more than one external rating, a determination is made of the relevant rating in accordance with the regulatory requirements for multiple ratings. Receivable amounts for which risk-weightings have been assigned to a credit quality step corresponding to that of a central government are shown in Tables 18 and 19.

Table 18: Receivable amounts before credit risk mitigation by credit quality step

In Millions EUR as of December 31, 2018	Credit Quality Steps							
	1	2	3	4	5	6	No rating	Total
Counterparty (credit) risk to								
Central governments and central banks	336.5	-	-	-	-	-	-	336.5
Regional or local authorities	-	-	-	-	-	-	-	-
Public entities	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-
Institutions	0.1	373.0	0.3	-	-	-	6.6	380.0
Of which derivative risk positions	-	33.8	-	-	-	-	-	33.8
Of which from securities repurchase agreements	-	1.0	-	-	-	-	-	1.0
Of which CVA	-	-	-	-	-	-	-	-
Corporates	-	3.2	16.0	-	-	-	11.6	30.7

Retail business	-	-	-	-	-	-	-	-
Real estate secured positions	-	-	-	-	-	-	-	-
Defaulted positions	-	-	-	-	-	-	-	-
High-risk positions	-	-	-	-	-	-	-	-
In form of covered bonds	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Institutions and corporates with short-term credit rating	-	-	-	-	-	-	-	-
In form of investments in OGA	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	0.4	0.4
Other items	-	-	-	-	-	-	10.8	10.8
Total	**336.6**	**376.2**	**16.3**	**-**	**-**	**-**	**29.3**	**758.4**

Table 19: Receivable amounts after credit risk mitigation by credit quality step

In Millions EUR as of December 31, 2018	**Credit Quality Steps**							
	1	**2**	**3**	**4**	**5**	**6**	**No rating**	**Total**
Counterparty (credit) risk to								
Central governments and central banks	336.5	-	-	-	-	-	-	336.5
Regional or local authorities	-	-	-	-	-	-	-	-
Public entities	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-
Institutions	0.1	339.2	0.3	-	-	-	6.6	346.2
Of which derivative risk positions	-	-	-	-	-	-	-	-
Of which from securities repurchase agreements	-	1.0	-	-	-	-	-	1.0
Of which CVA	-	-	-	-	-	-	-	-
Corporates	-	3.2	16.0	-	-	-	11.6	30.7
Retail business	-	-	-	-	-	-	-	-
Real estate secured positions	-	-	-	-	-	-	-	-
Defaulted positions	-	-	-	-	-	-	-	-
High-risk positions	-	-	-	-	-	-	-	-
In form of covered bonds	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Institutions and corporates with	-	-	-	-	-	-	-	-

short-term credit rating								
In form of investments in OGA	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	0.4	0.4
Other items	-	-	-	-	-	-	10.8	10.8
Total	**336.6**	**342.4**	**16.3**	**-**	**-**	**-**	**29.3**	**724.6**

12. Market Risk

With regards to the disclosure obligations under Article 445 of CRR, please refer to the description of the capital requirements for market risk in Section No. 7 "Capital Requirements".

13. Operational Risk

With regards to the disclosure obligations under Article 446 of CRR, please refer to the description of the capital requirements for operational risk in Section No 7 “Capital Requirements”.

14. Exposures in Equities not included in the Trading Book

Equity positions comprise of investments in subsidiaries. These are not held for trading purposes. Please refer to the information on GSBE’s merger with GS Gestión disclosed in Section No 1 “Introduction” and the additional description in Section No 9 "Credit Adjustments".

15. Exposure to interest rate risk on positions not included in the trading book

Please refer to the information on interest rate risk in the risk report of the GSBE management report for the fiscal year 2018 as well as Section No 8, "Counterparty Risk".

16. Application of Techniques of Credit Risk Mitigation

Concentration or correlation risks that are identified in the context of the annual risk inventory or on an ad-hoc basis are subject to increased observation by the Credit Department and are analysed regularly with appropriate stress tests and if necessary restricted to appropriate limits. As a result of the current business model, these are in particular the concentration with subsidiary companies of the Goldman Sachs Group, potential concentration or correlation risks from securities received as collateral as well as the geographical and in part also sectoral concentrations of unsecured credit risks toward third parties. Credit risks with the Goldman Sachs Group are primarily short-term or secured, these are restricted to limits set by the Executive Board and subjected to regular stress tests. GSBE restricts possible concentration and correlation risks associated with securities received as collateral through appropriate restrictions on quality and concentrations as well as security premiums and monitors these e.g. through regular checks and stress tests of the securities received as collateral.

In accordance with Section 10 of RechKredV only obligations to counterparties that are without conditions and payable on demand can be offset against ongoing exposures to the same counterparty that are payable on demand, as long as the calculation of interest and commissions are agreed upon for them so that they are provided to the counterparty as if they were posted to a single account.

Table 20: Credit risk mitigation by risk class

In millions EUR as of December 31, 2018	Gross risk position	Credit risk mitigation	Net risk position
Counterparty (credit) risk to			
Central governments and central banks	336.5	-	336.5
Regional or local authorities	-	-	-
Public entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	380.0	33.8	346.2
Of which derivative risk positions	33.8	33.8	-
Of which from securities repurchase agreements	1.0	0	1.0
Of which CVA	-	-	-
Corporates	30.7	-	30.7
Retail business	-	-	-
Real estate secured positions	-	-	-
Defaulted positions	-	-	-
High-risk positions	-	-	-
In form of covered bonds	-	-	-
Securitization positions	-	-	-
Institutions and corporates with short-term credit rating	-	-	-
In form of investments in OGA	-	-	-
Equity exposures	0.4	-	0.4
Other items	10.8	-	10.8
Total	**758.4**	**33.8**	**724.6**

17. Leverage Ratio

GSBE's Leverage Ratio was 46.0% as of December 31, 2018. The leverage ratio is calculated, monitored and reported monthly to the Executive Board and Risk Committee in the context of the monthly risk report.

Table 21: Leverage Ratio common disclosure in accordance with Article 451 of CRR

In Millions EUR as of December 31, 2018		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	723.5
2	Asset amounts deducted in determining Tier 1 capital	
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	723.5
Derivative exposures		
4	Replacement cost associated with derivatives transactions	0
5	Add-on amounts for PFE associated with derivatives transactions	1.9
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)**	**1.9**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	18.7
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 Article 429b (4) and 222 of Regulation (EU) No 575/2013	
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)**	**18.7**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	
18	(Adjustments for conversion to credit equivalent amounts)	
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	**Tier 1 capital**	**342.6**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**744.1**
Leverage ratio		
22	**Leverage ratio**	**46.0%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table 22: Summary reconciliation of accounting assets and exposures under Article 451 of CRR

In Million EUR as of December 31, 2018		
1	*Total assets according to published financial statements*	***750.3***
2	Adjustment for companies that are consolidated for accounting purposes but do not belong to the regulatory scope of 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 Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	**1.9**
5	Adjustments for securities financing transactions (SFT)	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	

7	Other adjustments	-8.1
8	**Total leverage ratio exposure**	**744.1**

Table 23: Breakdown of on-balance sheet exposures (excluding derivatives, SFT and exempted exposures) under Article 451 of CRR

In Million EUR as of December 31, 2018		
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**723.5**
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	723.5
EU-4	Covered Bonds	
EU-5	Exposures treated as sovereigns	336.5
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	
EU-7	Institutions	345.1
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	
EU-10	Corporates	30.7
EU-11	Exposures in default	
EU-12	Other exposures (i.e. equity, securitisations, and other non-credit obligation assets)	11.2

18. Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) is designed to ensure that a firm maintains an adequate amount of unencumbered high-quality liquid assets (HQLA) equal to or greater than the total net cash outflows (NCOs) over a prospective 30 calendar-day stress scenario. GSBE is subject to the LCR requirements as set out in the European Commission Delegated Regulation 2015/61 (LCR Delegated Act) effective October 1, 2015.

The EBA guidelines on LCR disclosure (EBA/GL/2017/01) require firms to disclose, on an annual basis, the average monthly LCR for the trailing twelve-months.

GSBE's average monthly LCR for the trailing twelve-month period ended December 2018 was 16,535%, reflecting current low level of absolute liquidity risk in the entity. This ratio is based on our current interpretation and understanding of the LCR Delegated Act and may evolve as its interpretation and application is discussed with our regulators.

The table below presents a breakdown of the company's LCR calculated in accordance with the LCR Delegated Act. The LCR can be calculated as the ratio of HQLA to NCOs.

Table 24: Breakdown of the Liquidity Coverage Ratio according to the LCR Delegated Act

In Millions EUR as of December 31, 2018	Twelve Months Average-weighted
Total high-quality liquid assets	321.8
Net cash outflows	2.2
Liquidity coverage ratio[1]	**16,535%**

[1]The ratio reported in this row is calculated as average of the monthly LCR's for the trailing twelve-month period and may not equal the calculation of ratio using component amounts reported in rows "Total high-quality liquid assets" and "Net cash outflows"

We expect business-as-usual fluctuations in our client activity, business mix and overall market environment to affect our average LCR on an ongoing basis.

High-Quality Liquid Assets

Total HQLA represents unencumbered, high-quality liquid assets held by the company and comprises mainly balances held at Central Banks.

Net Cash Outflows

The LCR Delegated Act defines NCOs as the net of cash outflows and inflows during a prospective stress period of 30 calendar days. The NCOs in GSBE are largely comprised of prospective outflows related to the company's unsecured funding and derivative positions and inflows related to short term placements with affiliates

Unsecured Funding

The company's primary source of funding is unsecured long-term borrowings, including registered bonds (Namensschuldverschreibungen), loan against borrower's notes (Schuldscheindarlehen) and funding from Group Inc. and affiliates. The LCR Delegated Act requires that the NCOs calculation reflects a firm's upcoming maturities of unsecured long-term borrowing during a 30 calendar-day period, assuming no rollover of debt that matures.

Derivatives

The company primarily enters into derivative contracts to hedge interest rate risk. The LCR Delegated Act requires that NCOs reflect outflows and inflows resulting from contractual settlements related to derivative transactions occurring over a 30 calendar-day period. In addition, the LCR Delegated Act requires that NCOs reflect certain contingent outflows related to a firm's derivative positions that may arise during a 30 calendar-day stress scenario, including collateral required as a result of market movements.

19. Cautionary Note on Forward-Looking Statements

We have included or incorporated by reference in these disclosures, and from time to time our management may make, statements that may constitute "forward-looking statements." Forward-looking statements are not historical facts, but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition.

It is possible that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed under “Risk Factors” in Part I, Item 1A in the firm’s 2018 Form 10-K.